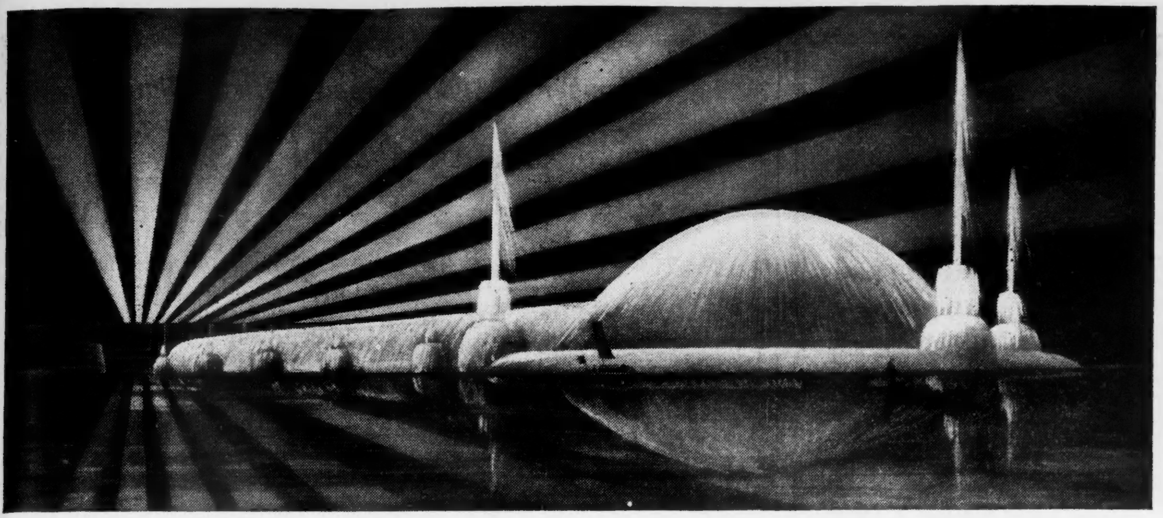

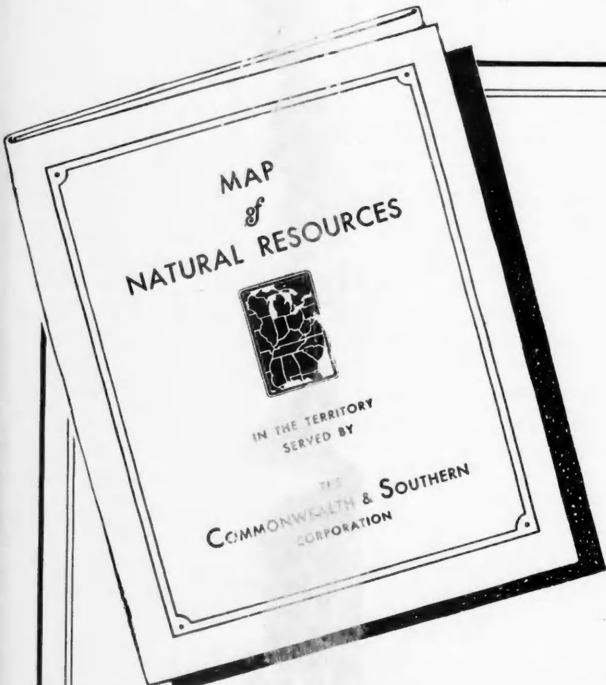
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Vol. 54 No. 4 June 9, 1934

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WITH THE EDITORS

Let In The Light

THE fight over Federal control of the stock market is ended and the tumult and shouting have died. The thing is an accomplished fact. It will be neither as beneficial as its advocates have insisted nor as destructive as its critics have claimed. With so much depending on its administration, time alone can provide a conclusive test of its wisdom and practicability.

Meanwhile, at least as affecting a great many stockholders, there is a bright side to the matter. We can look forward confidently to a new and squarer deal in the relations between investors and corporate management. In such problems as inadequate and infrequent corporate reports of earnings and finances, the stock manipulations of "insiders" and other abuses the stockholder will have an official champion and protector.

In fairness, it must be pointed out that the managements of many great corporations are models of fair dealing with their stockholders. To mention only a few, there are United States Steel, General Motors and General Electric. But there are others, widely owned, which persist in issuing reports which are infrequent, inadequate or both.

In inadequacy of reports two well-known chemical companies are notorious offenders. Can there be any justification for this when in the same field the great duPont company finds it possible to give shareholders adequate information concerning its affairs?

Some companies report earnings only once a year. This is true of cigarette makers, of meat packers, of most department stores, of the biggest tin container maker and of various miscellaneous concerns. Some companies refuse to report sales volume at all, notably some packaged food enterprises. The argument of some companies is that quarterly reports would give a distorted picture because of seasonal variations. Another favorite argument is that reports of sales volume would have harmful competitive results.

These are not valid reasons, but weak excuses. As for seasonal variations in earnings and sales, there is no distortion in comparison of quarterly results with results of the corresponding quarter a year ago. Moreover, stockholders are sufficiently intelligent to understand and make allowance for seasonal factors from one quarter to the next. If management doubts this, it can easily explain the seasonal variation in its report. As to sales figures, what competitive advantage is lost if all companies are made to report at least every quarter?

A certain department store stock has been declining for weeks. The management no doubt knows why. It is thoroughly familiar with the sales trend of this enterprise, not only quarterly, but monthly, weekly, even daily. But the only information stockholders will get will be a belated report of sales and earnings for the year 1934, to be issued around April 1, 1935!

Distrust feeds on secrecy. The new commission will let in the light. In this phase of its work all investors will wish it well. Listed companies are in a sense public property.

In the Next Issue

Labor Poises the Monkey Wrench

Will it Throw It Into the Economic Machine or Put It Away?

By P. T. Sheldrick

Good Crops and Railroad Earnings—Droughts and Deficits

Certain Roads Favored While Others Adversely Affected.

By Pierce H. Fulton

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CHAPTER IV—*The Technique of Manipulation (cont.)*
Short selling—why profits are quicker on the short side. Converting paper profits on the upside into cash.

CHAPTER V—*The Technique of Manipulation (cont.)*
Buying on Reactions. Detecting distribution—rallies—reaccumulation.

CHAPTER VI—*The Principles of Tape Reading.*
Reading the technical position—trend—supply and demand—on the tape—together with practical examples.

CHAPTER VII—*Price Movements and Turning Points.*
A discussion of the principles which give corroboration of price movements and turning points—market cycles—speculative cycles—investment cycles.

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The value of understanding the statistical frequency of systematic observations—applying the mathematical laws of chance—as employed by life insurance actuaries and in banking, in maintaining unit charts.

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The application of the more important external factors which mold the mental and emotional attitude of investors and traders; business barometers, industrial analyses, commodity prices.

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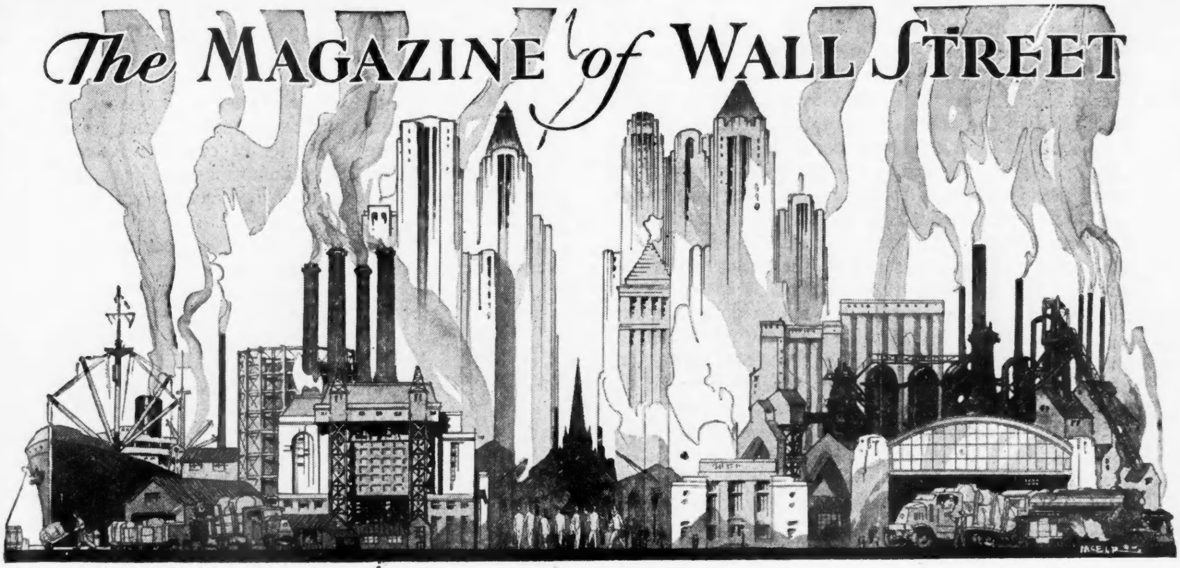

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The Trend of Events

— *Threatened Strike Epidemic*
— *Gifts and Guaranties*
— *Uncertainty Still Pursues Us*
— *The Pot Calls the Kettle Black*
— *The Market Prospect*

THREATENED STRIKE EPIDEMIC

In numbers of men involved, in effect upon business and in regrettable incidental violence, recent months have reflected the most serious labor disturbances in many years. Nor is the end yet. As this is written, there is threat of an imminent strike of 300,000 cotton textile workers, and Federal agencies are striving to avoid a major strike in the steel industry, now scheduled for mid-June. It is true, of course, that the early stages of business recovery have always been marked by strikes, yet it is impossible to dismiss the present disputes with this hopeful generalization. More is involved than a spontaneous demand of workers for a larger share of the fruits of revival. The most important strikes of the past have been for higher wages and better working conditions. The major conflict of today centers on the question of union recognition, and this, in practical fact, means American Federation of Labor recognition. It was so in the threatened motor industry strike, settled—at least temporarily—by President Roosevelt. It is so in the presently threatened steel strike. Motor and steel wage rates are at virtually the 1929 level.

If blame is to be placed, it can only rest upon the vague and much-disputed "7 A" clause of the Recovery Act. It was this which touched off the American Federation of Labor's present determined drive for enlarged membership and for recognition by the major industries heretofore "open shop." The fundamental legal rights of employer and employee being what they are, no magic governmental formula can solve the present problem. There will be strikes. In each the only remedy is diplomacy, arbitration and compromise. If there must be a show-down in textiles and steel, it will come at a time when the odds favor the employers. There is large overproduction in textiles and some overproduction in steel. These industries can afford a shutdown better than newly employed workers can afford to forego all pay.

~

GIFTS AND GUARANTIES

The business of moving debts from private to public shoulders goes merrily on. We may not be making much progress in the distribution of wealth, but we are making marked

progress in the distribution of debt. The favorite route is government guaranties of private debt, but donations from the public treasury are not entirely overlooked. In one case the Government donates its credit and in the other case puts up the cash.

In the case of the rider-burdened bill for the extension of the present temporary bank deposit guaranty enterprise, Congress is tolerantly including both methods. The pay-off rider calls for the purchase of about a billion dollars of the assets of closed banks. The depositors get that much cash and the Government gets a lot of cats and dogs of securities that will probably turn out to be nearer zero than a billion dollars in ultimate realization. At the same time the margin of insured depositors' accounts is raised from $2,500 to $5,000. Combined objectives of the bill may be described as paying off past and future depositors' losses in bad banks. Incidentally, the pay-off proposal, being a contribution to inflation, may contribute to future banking delinquencies.

We have here a combination of bad banking and bad politics. Bad politics votes to condone bad banking.

The various guarantees have put the Government behind contingent liabilities which total about as much as the direct debt. Considerable eventual losses are certain. The innocent bystanding taxpayer will have to stand them. Likewise the same innocent will hold the bag for the payoff.

UNCERTAINTY STILL PURSUES US

RECOVERY is forever running a painful gantlet. Every time it gets a good start it gets a crack over the head or a knife in the ribs. Many of the buffets to which it is exposed are to be expected in this upside down world, but if we visualize Recovery as a poor devil of a prisoner of war, making a run for his life through a lane of enemies, we can well imagine him as feeling that somehow his friends have got into the hostile lineup and are dealing him some of the hardest blows.

If anybody in the world seeks and labors for early recovery in the fullest possible degree it is the President of the United States. Yet he is responsible for the Securities Act, which has strangled recovery in respect to the capital goods industries, and the stock exchange bill, which at one stage threatened to destroy commerce in securities, that is to say, in the ownership of those industries and most others as well. Our fleeing prisoner of the gantlet was just rising from those blows when the silver message and bill caught him on the chin for a knockout. This silver blow might have been a shot in the arm if it had promised a measure of immediate if limited inflation, but instead of doing that it merely held out the threat of a surfeit of disastrous inflation somewhere along toward the end of the gantlet. It lacked stimulus and threatened anesthesia. Persons still possessing money bags with something in them tightened the strings. There was neither hope of speculative profit nor fear of loss of money value to shock them out of their long-term inertia. Not to be outdone by the President, Congress hurls a rock at the frightened runner in the shape of the bank deposit pay-off bill, well-meant, but chockfull of pestilential potentialities.

We are in the convalescent stage of recovery, and what we need is quiet, confidence, nourishment and inspiration. We have had a lot of bitter and strange medicine and several major operations, besides a flock of minor ones. We need now the rest cure and lots of it.

Perhaps we shall have it. Congress goes home and the President takes to the high seas.

THE POT CALLS THE KETTLE BLACK

INFALLIBLE human wisdom is much scarcer than hens' teeth. Given common sense, learning, long practical experience and good luck, a man may be regarded as moderately wise—but his wisdom will stop far short of clairvoyance. Its matters not whether he be statesman, politician, banker, professor, business man, doctor, lawyer or whatnot. Thus, it is verily the irony of the age that the Nation looks today to Washington and the Federal Government for the solution of all its ills, and that the politicians blandly and confidently promise by legislation and administration to unscramble the eggs which—as they see it—were scrambled by the banking, business and political leaders to whom we looked for wisdom prior to March, 1933. Certainly mistakes, both private and governmental, were made; but they are continuing to be made today and will always be made. If politicians were infallible the Administration would not be involved today in the NRA price-fixing mess, would not have been taken in by the hocus-pocus of the Warren "gold-buying" scheme, would not have stubbed its political toe on the air mail fiasco, would not have had to back hastily out of the extravagant Civil Works panacea. Critics, however, are disarmed, for has not Mr. Roosevelt himself proclaimed that his policy is one of trial and error? So was that of the Old Deal. So is that of us all. We suspect that from the longer perspective of the future the composite American voter will realize with chagrin that politicians have a monopoly on neither wisdom nor common sense. On second thought, indeed, he probably will decide that all which preceded the New Deal was not folly after all. In 150 years of experience, toil, thrift and private initiative, prior to the coming of the New Deal, Americans achieved the highest standard of living in the world in spite of politicians—not because of them. It will be ever thus until infallibility can be had out of textbooks. That will not be soon.

THE MARKET PROSPECT

OUR most recent investment advice will be found in the discussion of the prospective trend of the market on page 171. The counsel embodied in this feature should be considered in connection with all investment suggestions elsewhere in this issue.

Monday, June 4, 1934.

Market Outlook for Coming Months

Balance of Currently Conflicting Forces Favors Higher Price Levels

By A. T. Miller

THE stock market at present appears unable to advance and unwilling to decline, and so it has been for a fortnight. Seldom has such complete speculative apathy prevailed. Seldom has the net price movement been so narrow and aimless.

As to current trading activity, suffice it to say that for the latest week the volume of transactions has averaged under 500,000 shares per week-day session. This is less than one-quarter of the daily average volume of last year and only a little more than one-third of the daily average trading of 1932, which year provided the lowest average activity since 1924.

For a previous period equally dull one has to go back to June, 1924. That flat spot, it will be recalled, was followed within a very few months by the inception of the history-making "Coolidge bull market." Unfortunately superstition would have to be stretched rather extensively to expect a similar aftermath to the present stalemate. Neither in the present economic nor political factors is there reason to anticipate or fear a coming orgy of speculation for the rise. In addition, there is the further restraint imposed by Federal regulation of the security markets, now a certainty.

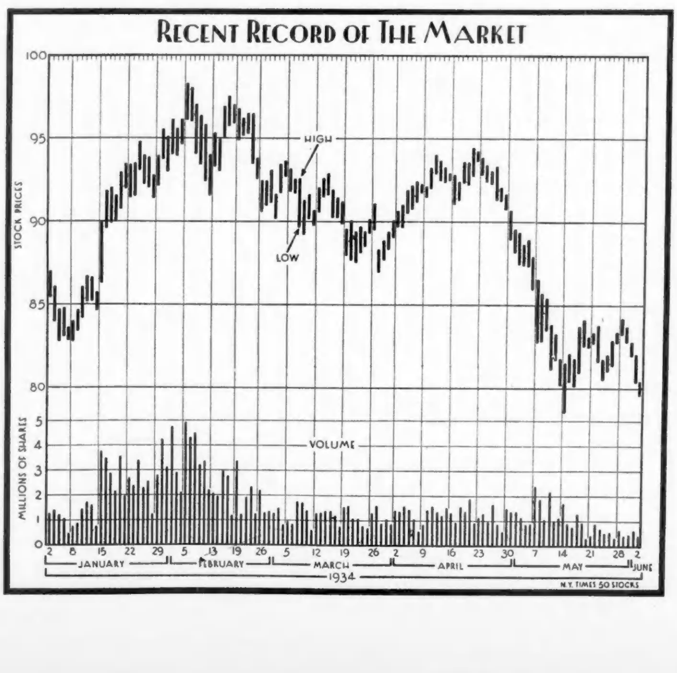
Yet with due allowance for all unpleasant actualities and probabilities, the current speculative inertia and pessimism can probably be regarded as excessive and abnormal, and, therefore, temporary. While precedent is a fallible guide, we prefer, all things considered, to lean to the optimistic side in pointing out that in more instances than not such periods of apathy and discouragement have been followed by improved market action.

By common speculative instinct, the next event to which anticipation is directed is the adjournment of Congress, probably in the imminent future. It has been widely predicted that this will be followed by a rally in the stock market. While the market seldom performs in accord with any such arbitrary schedule, it nevertheless appears that there is much logic in such hopeful reasoning. Certainly much of the prevailing uncertainty both of the stock market and of business centers in Congress. When it goes home, not again to appear in the reckoning until next January, business and the market would be less than human if they did not breathe at least a gentle sigh of relief.

In all probability some of the more obnoxious of the legislative proposals of recent months will be found to have been lost in the shuffle; and the rest—good, bad or indifferent—will at least have attained fixed status. Against certainty, whether entirely satisfactory or not, adjustment can be made. Against uncertainty, there is no course except to wait until it has been removed. That is what business and the stock market have been doing.

From the long-term point of view, unfortunately, a considerable degree of uncertainty appears to be inherent, at least thus far, in the policies and philosophies of the New Deal. Long range economic planning is largely confined to the Government, yet the Administration itself expects private initiative sooner or later to take its normal place in the national economic picture. It is without doubt a disappointment to Washington that there is no indication of this happy consummation suggested for the near future.

Yet we think it logical to believe that the odds lie with business. In the final analysis, the political success of the New Deal depends on a restoration of satisfactory business activ-



ity on the traditional foundation of private initiative. Certainly an unsatisfactory state of business can only be of primary concern to the Administration—and of increasing concern as each week takes us nearer to the Congressional elections of next autumn, to which the Administration looks for endorsement at the polls.

Is it unreasonable, then, to believe that—freed of Congress for a period of months—the Administration will be alive to the necessity of reducing uncertainty to a minimum and of giving business every possible encouragement? We think not. The chances appear to be that present business doubts and fears of politics will be lessened, rather than increased, in the next several months; first and immediately by the adjournment of Congress, later by the gradual development of Administration policies calculated to inspire a greater degree of confidence.

The only alternative to such a course—bearing in mind the probability of a crucial recovery test by autumn—would be further governmental stimulants, whether in the form of heavier emergency spending, additional monetary measures or other devices from the incalculable, but certainly agile, mind of Mr. Roosevelt.

Moreover, as one takes note of the distinct speculative gloom now prevailing, it is pertinent to ask: Why is there not active liquidation? There is never a lack of shrewd investors, both individual and institutional, ready to liquidate whenever cash appears more desirable than equities. The sheer inertia of the market is not indicative of significant liquidation.

The answer, we think, is that for the time being deflationary and inflationary uncertainties approximately balance. One may weigh the various obstacles and doubts confronting business and the stock market and decide not to buy stocks, certainly not speculative stocks remote from satisfactory earning power. On the other hand, one may also weigh the various factors which make it utterly impossible to know with assurance what the ultimate worth of the American dollar will be.

What are these factors? First, the Federal budget remains out of balance by a huge amount. It becomes increasingly doubtful that by July of next year business confidence and activity will have been restored sufficiently to permit the Government to withdraw from the majority of its expensive emergency undertakings. Such was the bold fiscal program set forth last January by the President: Virtually normal business and a completely balanced budget by July 1, 1935.

The danger that this fiscal plan—vital to confidence and to the Federal credit—may fail can not be put out of mind, especially as one observes that private business is no more ready to take over the helm now than it was six months ago.

Second, and inescapably related to the uncertainty inherent in a badly unbalanced national budget, is the fact that broad inflationary powers still remain unused in the hands of the President. He has the present power to issue 3 billions in greenbacks. He has the present power to clip the gold content of today's dollar by approximately 16.6 per cent. That he is reluctant to use these powers is only tentatively reassuring. The pressure for additional inflation will relentlessly grow as long as business activity and employment remain subnormal and the national debt mounts higher. It may be hard to resist on the part of a President addicted to political compromise. Moreover, since a majority of the present Congress is inflationist in sentiment, not even the 50-per-cent limit of dollar depreciation authorized in the Thomas Act can be regarded as fixed and final against the possible pressure of events.

Third, the new silver legislation puts additional wide discretionary powers in the hands of Mr. Roosevelt. This is one more incalculable element in the ultimate composition and worth of our basic money.

Fourth, the President's recent silver message to Congress can only be interpreted as indicating that he is not yet ready to stand pat on the present dollar. He closed this message by looking forward once more "toward a monetary unit of value more equitable and stable in its purchasing and debt paying power." A dollar "more equitable" in debt-paying power than now exists can only be a still cheaper dollar.

In short, regardless of temporary shifts of speculative sentiment, basic inflationary uncertainties continue to exist, and are not likely to disappear for some time. As long as they are present, the chances of downward speculative ripples in a trading market developing into serious liquidation and significant decline are remote.

Weighing the present dead-center balance between opposing stock market forces, we remain firmly of the belief that sound stocks are preferable to cash. Accordingly, we reiterate previous advices that the present interlude of stagnation be availed of for selective accumulation of meritorious stocks of the type analyzed from time to time in this publication. Reaction has enhanced the opportunity offered both to investors and to intermediate traders in dividend paying issues of attractive yield and in other sound stocks now reasonably priced in relation to current and prospective earnings. A list of such issues is presented in the accompanying table for the consideration of our readers.

Under present conditions of extreme inactivity, any discussion of technical market indications is virtually useless. The nearly horizontal movement of the market over the last three weeks, however, does tentatively suggest the establishment of a base, following the protracted and irregular intermediate decline from the peak level of the year in the first week of February. It is worthy of notice that throughout the reactionary period, the pressure of investment funds seeking employment has sustained sound preferred stocks, good bonds and many dividend-paying common stocks at levels very close to the year's highest.

Interest in the immediate business statistics is somewhat overshadowed by imminent strike threats affecting two major industries: cotton textiles and steel. These are unfavorable developments, but their importance in relation to the year's aggregate business activity may easily be exaggerated. Looking back to what appeared at the time to be a hopeless impasse between the motor industry and union labor—an impasse broken by President Roosevelt—we are inclined to the view that the bark represented by strike threats is much worse than the bite. If there is to be a showdown in the textile and steel industries, however, the time chosen for the contest does not reflect much credit on the intelligence of the labor

(*Please turn to page* 219)

Stocks Recommended for Current Purchase

Atchison	**Corn Products**
Mathieson Alkali	**American Cyanamid**
Bristol-Myers	**National Sugar**
Briggs Manufacturing	**Liggett & Myers "B"**
Chesapeake & Ohio	**Trico Products**
Continental Oil	**Pillsbury Flour**
Public Service of New Jersey	

N R A On The Spot

Big Business, Little Business, Socialists and Individualists, Buyers and Sellers Alike Assail It, but Few Would Abolish It

By Theodore M. Knappen

SAVAGELY criticized by the Durable Goods Committee and the Consumers' Committee, both its own progeny, and by the Presidentially-created Review Board, overwhelmed by the plaints from and to the four hundred code authorities, menaced by adverse court decisions and chilled by well-meant criticism by its friends, the National Recovery Administration has arrived at a fateful moment.

Production control, price regulation, wage and hour policy and everything else the Board attempts is assailed on all sides. The Board is damned because it restricts production, because it doesn't restrict production, because it makes wages too high and because it makes them too low, because it has brought about prices that are too high and prices that are too low, because it destroys the little business man and because it ruins big business. It is denounced becaused it introduces self-government into business groups and commended to perdition because it has taken all liberty out of business.

Paradise for Each—Disappointment for All

And yet probably 75 per cent of big business concerns and certainly a large majority of small manufacturing concerns would put on sackcloth and ashes if N R A were to be wiped out.

The explanation of this conflict of expression and feeling is to be found in the fact that N R A was called upon by various classes of the community to achieve irreconcilable ends. Business in general resorted to N R A a year ago for limitation of production and the achievement of higher prices.

Employes counted on it to give them higher wages without higher prices.

Twelve million unemployed looked upon N R A as a sure producer of jobs for everybody.

Organized labor demanded that it increase wage rates and weekly pay, and yet shorten hours.

Consumers insisted that high production costs should not be accompanied by increased cost of living.

Producers demanded that they be relieved of cut-throat competition to the end that they be not destroyed while trying to reconstruct the economic life of the country.

Gallant Fight for Utopia

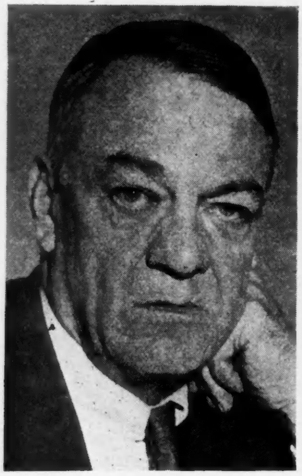
And N R A has done its best to gratify these conflicting demands. It has sought to keep prices down without increasing production, and it has tried desperately hard to raise and lengthen payrolls and realized profits without increasing prices.

During its first year N R A has been an emergency, trouble-shooting economic mechanism, the great consideration was to get action, to put men to work, to increase

payrolls, to establish competitive conditions which would throw into action and keep going the largest possible number of concerns with the longest possible payrolls, to distribute work if it could not be increased, to give every worker something even though some had to lose a part of what they had.

Notwithstanding the chorus of howls from friends and foes alike, N R A has done a wonderful emergency job. Proprietors will tell you everywhere that it has kept innumerable concerns from shutting down, if not from dying, that hordes of men have been put to work and that business has been vastly improved by its work.

At first N R A worked mostly through the President's blanket code, which looked chiefly to increasing the number of men at work, abolishing child labor, shortening hours and reducing murderous competition to a minimum. At that time N R A was hailed as a great success. Public opinion, public will and public co-operation were with it. N R A had only to point to an end and it was accomplished. Everybody was filled with the fine idea that if everybody would resume employment, everybody would resume buying and all would be well thereafter. As this laudable ideal burned out the codes came in. They had to come if N R A was to continue to function after the fires of enthusiasm under its boilers had begun to cool.



Gen. Hugh S. Johnson

Donald Richberg

Defenders of N R A

Cold Dawn of Reality

With the codes came sanity and the hard-headed business man.

You can't imagine a business man undertaking any business scheme without considering prices. Prosperity must pay for its own restoration, said the business man. Living prices must be established. So fight as desperately as they could, and did, against price fixing under the codes, the N R A men had to yield to it. And that was where Satan got into the garden.

About two-thirds of the codes approach the price problem from one of three directions: (1) Prices must not be below individual costs: (2) prices must be openly announced before going into effect; (3) prices must not be individually below average costs of production in an industry.

In practice it has been found that the individual cost-protection plan is a chaotic failure. It is impossible to police the cost sheets of countless thousands of concerns. This kind of price regulation, designed to save as many outfits as possible from destruction, has broken down. Everybody is convinced that everybody else is chiselling, and so everybody chisels with an air of virtuous indignation.

The open-price method has an open and frank sound, but while it works delightfully from the standpoint of the thousands of business enterprises which are under the natural delusion that after years of little or no selling at any price the way to paradise is high prices, it breaks down before buyers' strikes. The buyer finds that he gets virtually identical prices—and all unconscionably high—from most groups of producers. Open price agreements have already put back 1929 prices in many lines without an approach to 1929 volume and demand.

The Price Fallacy

The cost-protection price scheme, based on a production cost for a whole industry, with regional modifications and adjustments, intended to make it possible for almost any producer to sell on a minimum-price equality with almost any other producer almost anywhere, has thrown as many obstacles into the progress of N R A as anything else. Its primary justification was the goal of stopping further deflation through insolvency and thereby to keep the largest possible number of units alive as employers. It has undoubtedly accomplished that admirable end. It was all right as long as it worked, but as the weak units got back some health and the big big ones had extended their operations to a certain point, howls of dissatisfaction were emitted by both big and little.

The big ones found that minimum prices of this kind, when accompanied by limitation of production, as they generally were, turned out to be boomerangs. The minimum price became the maximum and only price, and volume was not adjustable to overhead. The more ethical of the big companies also discovered that virtue was far from being its own reward, for they found that while they were able to produce only to a small proportion of their capacity, big and little chiselers were getting most of the business. Moreover, in some of these cost-protected industries it is well known that the small plant can or does produce more cheaply than the big one, although this ability may be only seeming and derived from bad bookkeeping. Consequently codes, in an honest effort to prevent monoply and protect the little fellow of this sort, have authorized him to cut prices to a fixed extent. But a lower price is a lower price, even though the product also be inferior, and the big factory finds its business going over to the little factory. The latter is often able to sell its full quota of production and yell for more, while the big mill can't begin to fill its out of the present volume of business.

On the other hand the unencumbered small plant with practically no overhead is often provoked to find that it can't get business even with its differential because the base price is so high that demand does not grow. This is just the reverse of the classical complaint that big concerns use low prices to ruin little ones. So the spectacle can be enjoyed of both large and small plants in the same industry complaining that prices are too high. At the same time differently situated groups of both large and small producers insist that the minimum price must not be lowered. Some code groups swear that minimum prices are the very life-principle of the N R A regime. Others say that

it will be the ruin of N R A. Officers of the same code authority have expressed these opposing views in public from the same platform.

The general result of the average price plan is that a premium is placed on inefficient production, and that prices, whether ethically too high or not, are certainly too high to stimulate buying. "Wolfish competition" has been chained but the co-operating pack can't get enough to go around.

Production control has had an easier job,—and it is the form of control that industry wishes to retain. It is pretty hard for the chiseler to beat production regulations. Production can be checked up by the Code Authorities, and the average producer has heard so much about the evils of over-production that he is pretty well sold on the theory of equitable allocation.

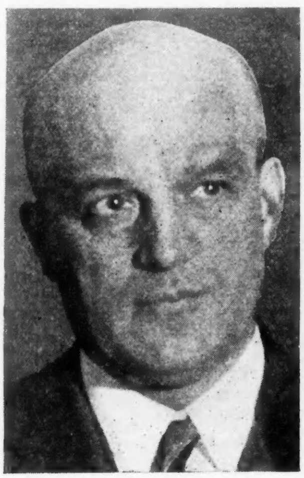
Production Control

But production limitations are hard on workers, because even with higher rates compelled by the codes they can't earn as much in some plants as they were earning a year ago, even though the total volume of production in the industry has increased. Of course, it is only human for them to complain of N R A, even though they know that there are more men on the payrolls. Workers in large and efficient plants frequently join their employers in cursing production limitations, for they know that their plants would be getting more business and they would be getting more income if it were not for the fixed quotas. Moreover, the quotas are sometimes of a special redness to the workers, because they are effected not by an absolute allocation of quantity but by a restriction of operating hours.

It is probably true, on the whole, that production limitation and a general minimum price rule are at this stage of recovery hampering further progress, however helpful they may be to handicapped plants and their employes. If price competition were permitted the efficient plants could fill their quotas with ease at prices which would encourage consumption. Enlarged consumption means more production—and it is out of larger production that profits and higher pay must come. On the theory of industrial rescue and salvage, ruin is being avoided for some and the wolf is kept away from many doors, but the normal process of recovery is checked, prices are artificially high and business has no profit upon which to feed and grow.

The consumer does not buy as much as he could or would, and at the same time he hurls imprecations at N R A for the high prices he has to pay for what he does buy.

The general result of all this discontent in industry, which is reflected by discontent and bickerings within the codes and N R A itself, is a rising demand for reconstruction of the whole N R A structure—and even some insistence that it be abolished.



George Houston

Clarence Darrow

Critics of N R A

One of the first changes will be a slashing of the price protection scales within some industries. Either the code authorities themselves will have to minify their minimums at any cost of disaffection or N R A will do it for them.

Basic Changes Are Predicted

There will be some fundamental changes in N R A itself. The tendency is to consider that the time for emergency measures is over and that the regulation of industry must henceforth be more along the lines of permanent revision of business practices with a view to making business, private business, more ethical, more serviceful, and better qualified to endure. The Administration is coming to believe that the multiplication of codes once headed for 1,500 and now on the way to about a thousand, must not only be checked but that subtraction must be applied by telescoping related codes together. Codes have become an expensive fashion. N R A is tending to pull out of the small industries, especially those of a service nature, and to refuse codes to many applicants. The President has just released the service industries from price control except upon a voluntary local basis. If industries have the code mania too strong to be denied altogether they are being advised to join related codes. N R A is tacitly ignored in small communities. Its future is in the national scene and the basic industries.

It is not improbable that N R A will soon pull out of the price-fixing field altogether, by forbidding code authorities the right to deal with prices. Some industrial groups will bitterly oppose this departure because in view of past experience they can not imagine that they will ever be prosperous unless cut-throat price making can be abolished. Some of these groups would favor the abolition of N R A rather than lose their pricing authority. But a great many members of code authorities, like William N. Haskell, executive director of the Rayon Code Authority, feel that it must be abolished if N R A is to endure. He finds that industry price-fixing is as contrary to human nature as alcoholic prohibition. Other code executives would suspend price control but keep it in reserve for another emergency. They are certain that it was almost a miraculous agency last year. Moreover, regardless of individual slants, the opinion is general that the courts will soon begin to deny the emergency plea and find that price-fixing is illegal on several counts.

There is an increasing disposition to make codification more and more voluntary. In the beginning of N R A universal codification was not contemplated. It was really looked upon as a means of introducing self-government into the industries which were worthy of it. In that respect N R A is still in the organization phase. It hasn't been tried yet. Its task was colossal. General Johnson thought a staff of 150 would be sufficient; it has grown to 2,000, to say nothing of volunteer workers, and sprawls over the entire country.

(*Please turn to page* 216)

Happening in Washington

By E. K. T.

Washington is not deeply impressed by Wall Street's despondency. Some summer slump is expected as compared with last year, because the country was in a baby boom in June and July, 1933. On the other hand, it is pointed out that there will be nothing to compare with the reaction which came in the latter part of July of that year. On the whole, it is expected here that business recovery will proceed steadily through the last half of this year.

Administration is worried over the failure of the durable goods industries to come back, and even more distressed by the flop of its efforts to help them. The utter failure of PWA to prime the pump is all the more disconcerting because the failure is not due to the principle but to the inability of the organization to "get going."

It is a pity that General Johnson was not put on the job in place of Ickes, instead of wasting so much of his terrific energy and ability to inspire followship in the exhausting shadow boxing of N R A. Fear is now expressed that the golden opportunity for priming is passed.

The President is reported to be keen on using his new residential building to do this year what P W A failed to do last year. On second thought, he is represented as feeling that there is not enough business dynamite in the bill which was introduced with his express approval. You should not be surprised if it is withdrawn and replaced with another designed to get instant results.

Silver Bill, however, may have a golden lining. On the way to bimetallism the President may first return to gold standard, taking the position that with gold devalued resumption of a free gold policy would now be a reflationary measure.

At any rate, it is felt that President will make some move to offset the timidity of capital, resulting from the stock exchange and security regulation measures.

Federal Reserve has hopes of getting back some of its lost prestige through the stock exchange bill. The power given to the Reserve Board in regard to margins regulation will keep it in the spotlight, and may enable it directly and by indirect influence to educate public opinion to an understanding of the constructive work of such exchanges.

Treasury officials rather expect that there will be a surprisingly large amount of security flotation after Congress adjourns. While the Administration has gone to the limit in encouraging legislation which discourages new investments, nothing would give it more pleasure than to see a big rush of new issues—for two reasons; first, it could argue that Wall Street has been "hollering" wolf! when there was none; and, second, because it is in despair over the fact that expansion of consumer and service industries has had no effect on producers goods industries.

Glass is on top again. He is the dictator of the compromise between the House and Senate on the stock exchange bill, even though he was left off the Senate conference committee. And Glass, be it remembered, is the Senate Democrat who has been most consistent in opposition to Administration measures.

He is virtually ostracised from party councils, goes his own way, bitterly speaks bitter views, and yet remains a power.

Richberg winning applause from capitalists for a defense of N R A was privilege I had the other day. The world is certainly turned upside down when a former labor union lawyer appears as an expounder of capitalism versus socialism.

Henry Ford, capital gossip reports, sent a hot challenge to the White House. Walter Chrysler, striving unsuccessfully to get the lone wolf of autodom to come into the N R A camp and under the Roosevelt banner, was directed—believe it or not—to convey this message to the Big Chief: "I've done more than all the labor unions in America for the working man. My big aim at all times has been to pay more, and shorten hours. Incidentally, I have accumulated two billion dollars.

"Tell the President I will spend or lose every cent of it before I will turn my plants over to labor union bosses."

Big Banker from New York enunciated a new alibi for the bankers in respect of their loan tightness. Said he: "Present governmental policies will lead to worse times than we have seen yet. Banks are keeping themselvs in a position to come to the rescue of the country. When the Government is broke we will be ready to enter the breach."

Big Banker No. 2, also from New York, after two cocktails, told me that the stock exchange bill is now O.K., and that the skies would clear rapidly if the "damned" securities act had been properly revised. Made this bizarre forecast:

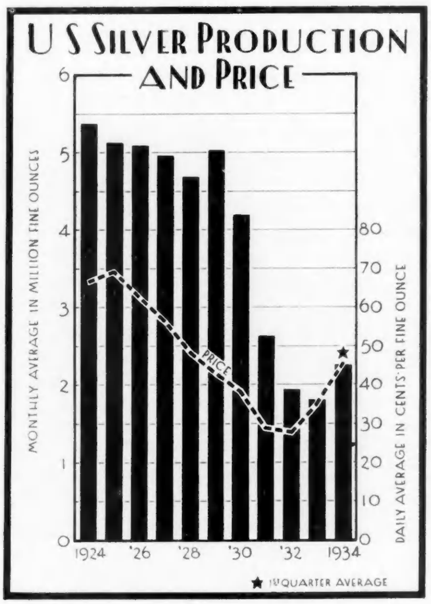
With speculation freed and investment chained, outlook is excellent for emphasis on speculation. Two bills may result in just what President didn't want—more speculation and less investment.

Inflation By Way of Silver

United States Undertakes Another Attack on Alleged Scarcity of Basic Money

By John C. Cresswill

PRESENTLY, when the silver bill is law, the Treasury of the United States will pay 50 cents for an ounce of silver and buy it directly or indirectly with silver certificates issued at the rate of $1.29 an ounce. . . . A "profit" of 79 cents an ounce; that is to say 79 cents of inflation in every such dollar, as against 100 cents in a greenback issue. The 50-cent price applies to domestically owned silver. After that is absorbed, possibly by compulsory nationalization (expropriation) of all such silver, the Treasury will proceed slowly or rapidly as the President may direct—probably very cautiously—to buy foreign silver and newly mined American silver at whatever price may be necessary, up to $1.29 an ounce, to bring the silver stock of the United States Treasury up to a quarter of the combined gold and silver stocks. The present ratio is about 8 per cent, and it is calculated that it will be necessary to buy about 1,300,000,000 ounces of silver. The bill does not affect the present mint net price of 64.5 cents for newly-mined domestic silver, except as it becomes necessary later to pay more in accumulating the prescribed proportion of silver.



The silver bill is another monetary approach to the Administration's bond objective of raising the general level of prices to somewhere around that of 1926. (Actually, it adds virtually nothing to the powers which have already been conferred on the President and the Secretary of Treasury. It does direct him to use one of them but imposes no time limitation.) The theory is the same as that of the recent devaluation of gold, viz; that the devastating fall in prices in recent years is due to an insufficient supply of gold, and that the metallic base of money in whatever form must therefore be widened. The ultimate objective is world-wide bimetallism or symetallism, but in the meantime it is hoped that the United States may single-handed accomplish much; first, by diluting its own money stock and, second, by raising the value of silver throughout the world by its purchases. The bill does not introduce bimetallism even in the United States; gold still remains the standard, as much as it has been since gold supplies were nationalized and convertibility of other formal money into it was suspended. Gold and gold alone continues to be the only recognized metallic reserve of the Federal Reserve System.

Out and out monetary inflationists are not pleased by this new gesture in favor of silver,—and the stock market registered disappointment. If no silver certificates were issued against purchases, there would be no inflation in the sense that the proportion between outstanding money and metallic reserve would be increased. There will be such inflation only to the extent that silver certificates are issued, and then only to the degree of difference between the price paid for silver per ounce and the statutory valuation of $1.29 an ounce. The certificates are to be actually convertible into silver dollars. Apparently, there will be little if any increase in the net amount of money in circulation, as an increase in the inelastic circulation of silver certificates will merely tend to displace a corresponding amount of Federal Reserve notes. It should be noted that the silver may be purchased with any sort of money and even with gold or U. S. bonds, but as the issuance of silver certificates equal in face value to the amounts expended for silver is mandatory, it is expected that the latter will be generally used. Some gold exportation may be necessary. It is believed that there will be no weakening of popular confidence in the dollar, whatever name it may go under; and, consequently, that there will be no rise in prices resulting from a flight from the dollar to substantial things—commodities, real estate and security equities. Money will not be cheapened in terms of those things. Hence there will be no improvement in price levels resulting from a lowered esteem for money and an increased favor for substantial wealth.

On the other hand, the business effect may be to some degree depressing, depending on whether people of surplus means, investors and business promoters, look upon the silver innovation as one more step toward debasing money and eventually printing press inflation. The Treasury, nowadays pressed at all times for money, will find some relief in issuing silver certificates to the full extent of its purchases; and from that point the step to further relief by outright greenback issues may gain an irresistible momentum in Congress—especially if there should come a recession in recovery and/or difficulty in borrowing.

The brighter side of the silver departure consists of two

(*Please turn to page* 214)

The National Organiza

Strong Response to Suggestions of

TO judge from letters, telegrams and comments of the press, the idea for a National Association of Security Holders which Mr. James W. Gerard advanced in THE MAGAZINE OF WALL STREET of May 26 has struck a responsive chord with many investors. There is apparently a clear realization that the security holder can no longer protect himself against oppressive legislation or corporate mismanagement, through silence.

As a stockholder, bondholder, home owner, savings depositor or the holder of a life insurance policy, he must find a voice in the defense of his rights. Individually, this is a difficult matter, but collectively an organization of security owners could become a powerful force for protection and fair dealing.

Mr. Gerard has stated that he is willing to undertake the leadership of such a national organization provided a large enough number of people demand it to insure its national scope and its representation of a substantial proportion of the country's security holders.

To date, several hundred letters and telegrams have been received, and excerpts of typical sentiments expressed are given below. Further discussion is welcome.

"I am much in sympathy with the suggestion of Mr. Gerard that the stockholders organize for their protection. The idea has been brewing in my mind for some time. The "association" or "federation" of shareholders of America should have representation in Washington. We have been kicked about long enough. We, Mrs. Brown and I, are shareholders in 40 corporations, not including bond holdings. I am retired from business and I will gladly give my time, without remuneration, to see that every shareholder in Santa Barbara joins. No dues or fees should be collected at the outset. The workers should volunteer their services as they did in the World War. When a substantial membership has been secured, a donation can be asked from all holding 50 shares or more for necessary expenses."

WILLARD E. BROWN,
Santa Barbara, Calif.

"When the formation of a national organization of security owners gets under way, you can place my name on your mailing list and add the following: (Here follow eighteen names and addresses.) The foregoing is just to indicate the kind of response I believe could be secured when action in the formation of such an organization is indicated."

A. W. MACE,
Asst. to Pres., Ludlum Steel Co.,
Watervliet, N. Y.

"Personally, I feel that organized minorities have run this country too long and too badly. Further, they seem to control enough votes to get about what they want at the expense of the rest of us. . . . I have made some efforts at such an organization and the response has been widespread and approving, pleasantly surprisingly so. Reaction locally is good . . . I believe it is both possible and necessary for us to band together and that we can soon gather enough voting members to cause grave uneasiness among Congressional souls and seats, as well as in other quarters where it is needed. . . ."

ROBERT DONOVAN,
Vice-President and Treasurer,
Donovan Boiler Works, Inc.,
Parkersburg, W. Va.

(Telegram from Curt Rosenthal, Los Angeles, Calif.)

"Have read your article in which you state James W. Gerard would head a stockholder organization. Believe this most admirable and will gladly become a member and pay my share. Kindly advise what progress has been made toward this organization."

"Your plans to organize security holders of greatest immediate importance to safeguard present liquid security markets so essential these days of innumerable frozen assets. . . . Believe proposed organization invaluable and possible to enlist millions of members. . . . I will bring in many members when you are ready to organize. Action and more action will build a healthy organization."

ALBERT VON WIEGEN,
Attorney and Counsellor at Law,
Rochester, N. Y.

"I want to express my approval of the plan to organize security owners as published in THE MAGAZINE OF WALL STREET. I hope we may hear more of it."

R. GARDNER,
The Rolland Gardner Co.
Cleveland, Ohio.

"The Gerard idea is fine. The only thing that investors would like to know then is this, could such an organization be kept functioning 100 per cent, now and *forever,* in the interests of the investors who financially support the plan. Assuming that it is intelligent and far seeing management, it must in addition to the above all be kept free of suspicion. The proposition has great possibilities for real good."

CHARLES E. WHITEHEAD,
President, The Tattersall Co.,
Trenton, N. J.

"Investors and property owners are the foundation of the industrial and economic life of the nation. They own about a third of the wealth of the nation, they represent the essential virtues of thrift and saving and they are the backbone of the Republic. Yet they are ignored by legislators and by those in charge of many of the great corporations, and even treated with contumely by the directors who are the creations, theoretically, of the investors.

"Effectively organized, the security owners of the country could probably control 25,000,000 to 30,000,000 votes. No other group could compare to them in potential political strength.

"The organization I have in mind could be quickly called into being and rapidly extended. . . . It could be influential from the first, and powerful before long."
—James W. Gerard in the May 26 issue, The Magazine of Wall Street.

tion of Security Owners

Mr. James W. Gerard Indicated

If you believe in the principle of a National Security Owners League, write to Mr. James W. Gerard at 57 William St., New York City, or in care of this Magazine.

Mr. Gerard wishes it made clear that the inauguration of the active work which he has suggested depends entirely on your response. At present the idea is tentative. Express your views, but send no funds or contributions.

The Magazine of Wall Street, while in no sense sponsoring this movement, believes whole heartedly in the idea and will continue to provide space for further announcement or discussion.

"While unable to speak for my company at present, still I hasten to assure you of hearty personal sympathy. . . . Laws have been allowed to be passed which are vicious and of punitive rather than of a helpful and corrective nature. The Securities Act of 1933 is a case in point. At the time this law was enacted there were millions of people opposed to it who recognized the utter folly of such legislation, but due to lack of organization, their opinions, even if expressed, were of no avail. . . .If I can be of any service to you in the furtherance of your plans here in Rhode Island please do not hesitate to call on me."

J. PAUL RUTTER,
Assistant Secretary,
The Rhode Island Insurance Co.
Providence, R. I.

"In the town wherein I dwell the destruction of income among those who have thriftily saved has directly resulted in the diminution of those ordinarily employed. I find that many agricultural workers realize that their wages are dependent on the ability of men like myself to continue paying them wages and I think support for your suggested organization, I mean moral support, would come in large measure from workers of this type. . . . "

RALPH H. WHITE,
Tredinnock, N. H.

"Your article 'Stockholders, Unite!', in the May 26th issue of THE MAGAZINE OF WALL STREET I have just read with intense interest. I consider it the most fundamentally constructive article I have seen for years and I wish to assure you of my most sincere support."

R. W. TAYLOR,
R. W. Taylor & Co.,
Manufacturing Chemists,
Boston, Mass.

"There is surely a crying need for such an organization as you suggest. Many stockholders, small and large, in this little city, have talked of the need of such an organization and would be very glad, indeed, to give an organization of this kind, both moral and financial support. . . ."

EUGENE CULVER,
E. Culver & Co.,
Miami, Fla.

"I was much interested in your article in THE MAGAZINE OF WALL STREET proposing an organization of investors. I thoroughly approve of such an organization as I think it is greatly needed at this time and will gladly do my bit to get it started."

RAYMOND S. BROWN,
Evening Republican,
Columbus, Ind.

"As editor-owner of 'The Independent,' president-owner of Equity Holdings, Inc., (investments), as property-owner, bond-owner, mortgage-owner and business executive I heartily endorse the movement you propose. . ."

LEW B. BROWN,
St. Petersburg, Fla.

"Your offer to head such a league is public spirited and I trust that steps towards forming an organization will be taken before Congress reassembles."

EDWARD C. SHERMAN,
Cosmos Club,
Washington, D. C.

"Have just read of the United Stockholders' movement in THE MAGAZINE OF WALL STREET. In my opinion this is the most timely and the most needed move that could be made at the moment. As stated in your article such an organization should have been formed years ago. I am deeply interested in a matter of this kind both from a personal, or selfish standpoint, and on behalf of our many depositors who stand only to lose if the many things now proposed are foisted upon our people. I am in the position to carry on quite a crusade for such a movement here in my own realm and wish you to know that I will devote considerable time to interesting my friends, if you will send the necessary blanks or other data that you may have in this connection. More power to you in this movement."

E. M. CLARK,
Cashier, Colorado State Bank,
Denver, Colo.

"Your splendid article sounds the keynote of the principle on which The Investors' Legion is founded. It is evident that you have given the matter of the welfare and protection of the investing public a great amount of thought. . . . A concerted effort has been made in Louisville to secure the co-operation of investment bankers, brokers, banks, building and loan associations, insurance companies and corporations in general. Their reaction has been most favorable. We will be pleased to place at your disposal any information we may have in our files and shall appreciate the opportunity of co-operating with you and your associates in every way."

WM. J. LAUFENBURG,
The Investors' Legion,
Louisville, Ky.

"I have read your article in THE MAGAZINE OF WALL STREET and agree very much with you, and I will be pleased to enroll and contribute a small amount to build up an association that would be effective in Washington."

P. J. MURPHY,
President and General Manager
Lackawanna & Wyoming Valley R.R. Co., Scranton, Pa.

Will the insurance of mortgages loosen the purse strings of lenders and cause a construction boom? Life insurance companies, savings banks, and building and loans give definite answers.

Government Sponsors Mortgage Insurance to Break the Building Jam

By J. C. Clifford

ON paper, the scheme is a beautiful one—a stream-lined logicality. Look how smoothly this reasoning goes: —Unemployment is most pronounced in the building trades. Building is stagnant because mortgage money is unprocurable. Mortgage money is unprocurable because (1) individuals are currently extra cautious about non-liquid long-term commitments and (2) institutions continue over-anxious about the maintenance of a liquid financial position. Individuals are cautious because of recent unfortunate experiences, while institutions are over-anxious about liquidity, because they are not receiving, or have not received, a normal quantity of new deposits.

And now the remedy: —A Federal guarantee of building and loan accounts will bring about a renewed swing towards this form of investment. With deposits rolling in, the various building and loan associations will lend money freely on mortgage and, with Federal insurance on the mortgages themselves, they, and other institutions and individuals, will no longer permit their recent unfortunate experiences to restrain their lending. With loans being made freely, construction activity will increase mightily. Then, with construction much more active, heavy industries will be stimulated and there will no longer be an acute unemployment problem.—Q. E. D.

PRINCIPAL LENDERS ON MORTGAGES

AS SHOWN BY PRESENT HOLDINGS OF URBAN MORTGAGES

No one can deny, of course, that there is a real demand for new housing, looking at it from the point of view that there are many thousands of families with inadequate or obsolete accommodations. If this is not realized from casual observation, it can be shown that the peak of residential construction was reached in 1928, that activity in this field has been going steadily downwards, and that residential construction is now going forward at but a tenth of its former rate. Admitting that there was possibly a surplus of housing at the end of 1928, it is quite obvious that the drastic decline in new building, plus the increase that has taken place in the population over the past six years, would have absorbed all this and more to boot, if only people had been able to maintain previous standards. It is on this that the case for stimulation of construction rests and, in theory, it is a strong one.

Unfortunately, however, one cannot reason from such a potential demand for housing that merely by making mortgage money a little easier to obtain, residential construction would be away to a flying start. This is altogether too big a jump in reasoning. Is it not possible that the blight over construction might have been brought about by factors other than a simple lack of the initial outlay? As has been said many times of the automobile, it is not the initial cost, but the upkeep that counts. The same is true

of housing. It is not enough that it be made easy for a man to own his own home: he must have, or at least think that he has, a reasonable chance of keeping it. In other words, there is a "consumption" as well as a "production" side to credit as with everything else. The mere fact that men are given the *power* to borrow does not necessarily cause any large number of them to do so. Witness the completely abortive easy money policy of the Federal Reserve under Mr. Hoover.

Moreover, the possibility that the people will not borrow in order to build is not the only uncertainty in the outlook. It is also barely conceivable that the new scheme will make lenders no more willing to lend than now.

The bill by which the Government proposes to stimulate construction is a complicated one—sections interrelated with distant sections, the whole interrelated with other laws and other agencies. Briefly, however, it contemplates the setting up of a Home Credit Insurance Corp., capitalized at $200,000,000, for the purpose of insuring, with limitations, private lending agencies against loss on "modernization and repair" loans, and for the purpose of insuring mortgages. The bill will also set up the Federal Savings & Loan Insurance Corp., to be managed by the Home Loan Bank Board, capitalized at $100,000,000, and whose business will be the insurance of accounts in building and loan associations up to a maximum per account of $2,500. An important feature of the whole program, is the power, either direct or coercive, which it apparently gives the Government over the whole mortgage field. For example, only the paper of "approved" institutions will be insured, and to make sure of there being "approved" institutions and a supply of insured mortgage money, the bill provides for the setting up of National Mortgage Associations with strict limitations upon their powers.

Sperr and Hildebrand Photos, from Nesmith

Because the plan is one by which banks, personal finance companies, mortgage companies, building and loan associations, and installment lending companies are expected to put up the actual cash—the Government merely giving its blessing and using its credit—it might be well to ascertain the attitude of these prospective lenders. According to the loan officer of one of the biggest and strongest of New York savings banks the legislation will have but slight stimulating effect upon the building industry *and will in no way cause his institution to lend more freely than it would otherwise have done.* Moreover, his reasons for this attitude seemed remarkably valid.

He called attention to the "run" that had taken place on savings banks generally during 1932 and the beginning of 1933 and pointed out that, in order to meet it, the banks had been obliged to reduce considerably their holdings of marketable bonds. Nor did the situation change greatly for the better later on in the year and savings banks in New York State closed the year 1933 with deposits $250,000,000 less than those twelve months previously. It is by no means inconceivable—perhaps rather probable—that certain of these institutions at one time held among their assets a larger proportion of mortgages than was permitted by law.

Under such conditions, it is hardly surprising that the savings banks are more interested currently in building up their reduced bond holdings than they are in advancing more money on mortgage. And it is undoubtedly such bond investments that the savings banks have been making with their larger deposits since the first of the year.

But what about the modernization and repair loans that the Government is proposing? It appears from the bill that the insurance scheme applies to only 20 per cent of such advances made by any one company. At the same time, it also seems that these loans are fully discountable in order that institutions making them may suffer no impairment of liquidity whatsoever. But, while there appears to be some discrepancy here, it makes little difference so far as the savings banks are concerned, for their investments are strictly defined by law and it is doubtful whether such paper is "legal." In the event that modernization and repair loans made by savings banks require to be covered by mortgage, an advance limited to $2,000 can hardly be worth the expense of survey, title search, title guarantee and other items.

Another savings bank official made the point that, while matters are slowly growing better, the indigestion in the construction industry is still acute and that to superimpose further building, on the building indigestion prevailing in many communities, is the height of folly. Who in their senses, he asked, would build a house today when, with a little shopping around, exactly what is wanted can be bought for much less than the cost of construction.

"Leave building alone," he said, "until the present distress stocks are cleared up and the rental market firms a little so that new construction can be started on an economically sound basis."

Further investigation disclosed these sentiments to be rather common to savings banks. Normally among the

largest lenders on mortgage, under current circumstances they can hardly be counted upon to break the jam in construction. But perhaps other institutions might be situated differently and willing and able to play a real part in the building revival which is said to be so essential to a return of prosperity. Because the proposed plan of the Administration falls most reasonably into the sphere of building and loan activity, it was with a greater hopefulness that some of the most representative of these institutions were approached.

Attitude of the Building and Loans

Unfortunately, the situation here proved to be little different from that of the savings banks. A typical view was expressed by a building and loan president who pointed out that there had been a "run" on his and other similar associations just as on the banks and that this had put his association out of the market for mortgages until recently. At the moment, however, there was a little money to lend on mortgage, if only satisfactory risks could be found. But surely there could be no difficulty about this; look at the depths to which residential construction has declined? In answer to this the building and loan official explained—as we feared he would do—that a potential, or statistical, demand for housing was a far different thing to an actual demand. Admittedly, in the United States there is a shortage of reasonably modern homes, but incomes have not gone up to such an extent, nor have positions suddenly become so secure, that people as a whole feel justified in pledging their future in the purchase of a house, or in the extensive renovation of an old one.

That this might well be an accurate appraisal of the situation is confirmed by the experience of the Franklin Society for Home Building and Savings. This association as an experiment searched their books not long ago for the accounts in the best position—those whose taxes were paid up, who had not faltered in making their regular payments to the association, and who had a substantial equity in their property. To a thousand of these, a letter was sent pointing out that even the best of houses require maintenance and repairs and that with materials and labor so low, the time was quite evidently appropriate for such work. The letter went on to say, should the recipient desire to do anything in the way of modernization or renovation, that the Society had money to loan and was perfectly willing to lend it with a minimum of red tape and at reduced expense. There were ten replies!

A survey recently conducted by the New Jersey Building & Loan League shows that the associations in that state have considerable money to loan, but that there is little demand for it on the part of borrowers that can be considered a reasonably safe risk.

What is a Reasonable Risk?

This brings up the important question of when is a risk "good." Various spokesmen for the Government have continually accused the banks and other lending institutions of being unwilling to lend a dime except on a dollar's worth of gilt-edged collateral. To this the defendants have replied that their first responsibility is to their depositors and it is not their duty to take any more than very reasonable chances. Every single bank, building and loan, and insurance company official approached in this survey made two points in almost identically the same words. They said:—(1) The men to whom we would be willing to lend money, don't want to borrow it. Over the past few years they have seen altogether too many of their friends and acquaintances go under because of debts; and (2) those who want to borrow money, want to borrow it less because they see their way to paying it back, but rather because it is the last resort to tide them over the present difficult times. One building and loan man said that his association had received many applications from men who owned free-and-clear houses and wanted to borrow 30 or 40 per cent of the present value, but that the applications were denied because it was found that there was no income and the money was required for living expenses. He said "We cannot approve loans of that kind, for as soon as the mortgage money is used up, we shall have the property on our hands and we have all the property we want, and then some." In reply to the question as to whether Government insurance of the mortgage would make any difference, he said that even then his company would not like it particularly well and that "there's more to lending money—if a real service is to be performed—than just making certain that you're going to get it back."

If the attitude of the big life insurance companies is typified by those that were visited, the Government will have to look elsewhere for someone to carry through its building-stimulation program. Here, the attitude was that, while there was always money to loan on mortgage, the company's mortgage account was a little topheavy at the moment, and the property account very topheavy. It is known that the property management departments of several insurance companies have so outgrown the organization that they have called in outside managers for certain of the foreclosed properties. Against the possibility that the proposed plan of the Government would make any change in this attitude, there are the facts that there are limitations to the plan and that, in the event of default, the guarantee is not an immediate cash one.

Difficulties in Appraising

An appraiser for one of the life insurance companies made several interesting points bearing on the general real estate situation. He bewailed the present difficulties of his position, saying that in days of normal markets it was possible to check the physical value of a piece of property very closely with the rental value. But now that rental values (the capitalization of the *net* received in rents) were so far below physical values—in some cases a calculation of the former would show the property to be a liability and not an asset at all—there was no saying how much money might safely be advanced on mortgage. He also made the points that in checking up construction costs, both labor and materials are unknown factors, taxes might shoot forward suddenly and unreasonably, and finally, that the unit of value, in which he is attempting to carry out all these complicated calculations, itself, is unknown, uncertain and fluctuating. The contention that fluctuation in the real value of the dollar should make little difference to an insurance company dealing solely in dollars was countered by the assertion that such companies are no longer interested exclusively in dollars because of the properties that they have been obliged to acquire and that they have been affected indirectly and adversely by uncertainty as to the value of the dollar because it made for general uncertainty.

Apart from the institutions that have been discussed and shown to be in no position to lend any substantial quantity of money on mortgage at the present time, there remains but one important source of supply. It is the individual investor. What will be his attitude towards an insured mortgage? While no one can say definitely, of course, certain facts logically may be taken into consideration. In the first place the average investor has been considerably impoverished over the past few years. Many who invested

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Significant Foreign Events

By George Berkalew

Foreign Representative of The Magazine of Wall Street

European Peace and Politics

June 15, the posthumous date for debt payments to the United States again creates speculation concerning real motives behind European foreign policy. In a recent editorial the "Temps," so-called spokesman for the French Government, unequivocally states the French position regarding debts and security. The attitude is outspokenly pessimistic concerning the immediate solution of Franco-American problems. There is no prospect of a resumption of payment by France. There is greater unlikelihood of the United States subscribing to a general security pact guaranteeing the peace of Europe. With France and the United States opposed on these two fundamental issues, the possibility of disarmament remains only a faint hope. The gravity of the situation is universally recognized by the governments of European powers. Great Britain's persistent overtures to France, in the effort to prevent a complete collapse of the League, have failed so far as to effect a French change of heart. France stubbornly reiterates her demands for "the right of self-defense." Germany's arrogant assertions are interpreted as desperate claims for national equality rather than an actual desire for war. The possible future collapse of the mark, the lack of colonial resources and raw material supply are perhaps not in themselves sufficient safeguards against German belligerency. Rather the moment is not propitious. War for Germany at this time is too great a hazard. The possibility of a second defeat would mean the downfall of the dictator regime. There is, moreover, growing dissension in Germany. Disgruntled bankers and industrialists, opposing political factions, conflicting religious groups are becoming bolder in voicing their respective opinions, impairing the former solidarity of German public opinion.

* * *

Japanese Boomerang

A French trade delegation has just gone to England to reopen negotiations for a new commercial agreement with Great Britain. A more friendly spirit animates the French representatives and they seem ready to restore British quotas to their normal level, without demanding or expecting any concessions in return. This change of attitude is due, undoubtedly, to the British assurance that the French silk industry would not be adversely affected and that the basic year for establishing quotas on silk will be a favorable one for France, while unfavorable to Japan. But the fact that Japanese silks have recently been shipped to the South of France at prices below French raw silk costs may also have something to do with the cold shoulder that France seems inclined to turn toward Japan of late. Thus, Japan, after antagonizing other world powers with her political attitude in the East, is engendering a collective opposition to her trade offensive.

* * *

Brazilian Coffee Party

As compared to the Boston Tea Party of Revolutionary days, Brazil has staged a veritable extravaganza by the destruction of 27,135,000 sacks of surplus coffee stocks since 1930. The persistence with which the government has pushed its policy of furthering a state of equilibrium in the coffee trade has resulted in an encouraging upward trend in prices, which jumped nearly 25 francs between January and May of this year. Firmer prices were coupled with an unexpected increase in exports, reaching a record of 11,881,000 sacks for the period extending from July 1, 1933, to the end of February, 1934. Brazil enjoys a unique position in artificial regulation of a raw material supply for the reason of her dominant position in the field of world coffee production. This improvement in Brazil's coffee business, an important element in her national economy is reassuring, particularly when consideration is taken of the fact that, after Germany, this republic heads the list of debt defaulting nations, with debt service halted on Brazilian securities held in the United States amounting to $311,272,000.

* * *

American Motors Gain Abroad

One out of every ten passenger cars and trucks manufactured in the United States is destined for export abroad. According to reports from foreign market centers, sales activity during the first quarter of 1934 shows a surprising revival, with deliveries running from 40 to 50 per cent above last year. Although business conditions in many countries show moderate gains, the marked increase in automobile sales abroad is attributed principally to necessary replenishment of stocks, which have become abnormally low during the recent period of slack business activity. The most profitable foreign markets for American cars are Spain, Holland and England. A practical embargo exists in Italy and Germany on automobile imports. Switzerland and France have imposed quota restrictions, although American makes enjoy wide popularity and in spite of existing high tariff barriers, foreign manufactures cannot compete either in price or quality. Duties range from 10 per cent in Holland, to between 120 and 240 per cent in France.

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Stepchild of Politics

Only a Change of Heart in Washington Will Save American Aviation and the Investment Therein

By Howard Mingos

AVIATION can offer no promise for its 450,000 investors until it escapes from repeated maulings in Washington where it is being treated like the Administration's stepchild, which indeed it is, because the investor's aviation was spawned by Republicans, and many fear that the Democrats will never be able to forget it.

Leading Aviation Companies

	Recent Quotation	Working Capital
Aviation Corp.	8	$10,984,912
Curtiss-Wright Corp. "A"	10	3,614,919
Douglas Aircraft	21	3,449,173
North American Aviation	5	2,087,760
Pan-American Airways	38	1,366,793
United Aircraft Transport	22	13,616,211

On the other hand, President Roosevelt will soon appoint a commission ostensibly to draft a constructive program for all branches of aviation. It is known that he desires to see it grow to gigantic proportions during his present term. What this will do for the stockholders remains to be seen. It depends solely on whether the new policy will let the companies make money or force them to do business without profit, which thus far is all that the "New Deal" has done for aviation.

Leaders in the industry say that it was just about ready to reward those who had retained faith in it all these years when—BANG! The boys in Washington got out their hammers and started smashing it to bits; this still young industry, fragile in some of its parts but resilient enough and free from chronic ailments of the sort now giving holders of old-line securities a large pain in the neck.

Our World Leadership

The manufacturers of planes, engines and accessories were keeping inventories extremely low. They were producing only what they could sell. They had succeeded in developing air transport planes so vastly superior to those of other countries that there is no comparison. They had orders on their books for more than ten million dollars worth of transport equipment to be used here in the United States. Because of that superiority in speed and economy of operation American air transport machines and engines were being used by the air lines of twenty-five other nations.

American military planes, type for type, were proving to be nearly 40 miles an hour faster and otherwise more efficient than anything built abroad, and so these machines were being purchased by other governments in increasing numbers. Planes for private ownership were also superior to Europe's, and foreigners came here to buy them whenever they could get the money. In all three classifications, military, transport and private, American aircraft equipment last year was rapidly driving European competitors out of the promising markets of Asia and South America. Our export business in 1933 totalled $9,227,821 as compared to $7,633,070 the previous year.

Aerial service organizations doing special charter and taxi work were beginning to negotiate for new machines, though it was known that aerial service and private flying cannot make much headway until the country gets back on its feet and people begin spending more freely. A majority of the aerial service organizations will require some kind of refinancing, locally, before they can expand. Still, they were planning all this. Hundreds of municipalities were encouraging aviation in every way possible, and thousands of great corporations were planning to use aircraft in one way or another as soon as business picked up, when the epidemic of destruction set in right at the front of the "New Deal."

False Hopes Held Out

The Government launched its flivver airplane idea, and the public was led to believe that it soon might buy light planes for about $700. The manufacturers of private machines assert that their market has been destroyed by that scheme, because people are still waiting for the "new deal flivver." The average manufacturer will tell you that it cannot be developed at the present time, that not only mass production, meaning mass sales, but a great deal of technical work must be done to produce safe planes at very low prices.

The air transport system was a model for the rest of the world a year ago, and other nations were sending experts here to copy the system. The Post Office Department was getting more for its money spent on mail contracts than any other government on earth. Only six years old, actually, the air lines had passed through the trial and error stage. Economy had replaced waste. Experienced management had grown out of pioneering. They promised to return dividends to their stockholders just as quickly as they had finished paying for the new equipment. This equipment had required from two to three years to develop. It was expensive; but it meant at least 3-mile-a-minute service, twice the speed that they had been making. Increased speed, enhanced reliability and safety meant incrased patronage from passengers and shippers.

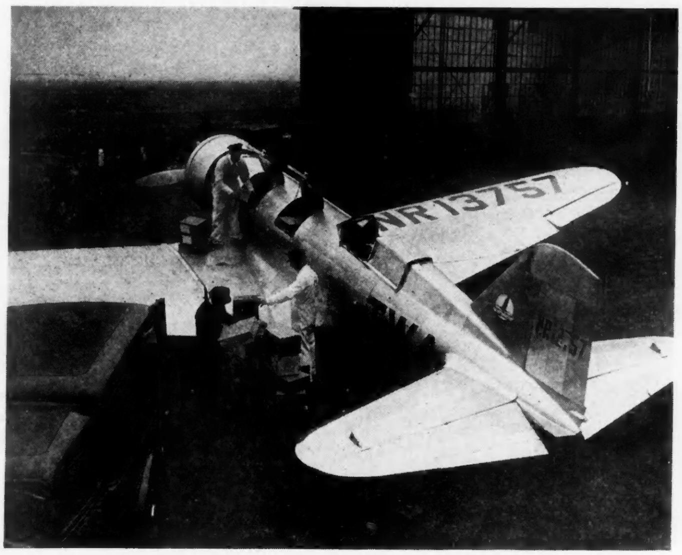
The executives of the air lines know that when they can cultivate enough traffic to send out several planes at a time, where now they send only one or two, they can make profits on passenger and express traffic, regardless of mail

contracts. They insist, however, that mail contracts are necessary to permit them to expand and provide adequate facilities, such as two-way radio, teletype service, testing departments and research organizations which will assure that continued progress is made in equipment. To force the lines to carry mail at a loss would be to curtail development and expansion and at the same time discourage people from investing in this business. And that is precisely what the Post Office Department is doing at the present time.

The air mail operators signed the transport code last November almost at the moment when the postal officials were planning to reduce air mail revenues for the third time during the year. The code raised wages about 20 per cent. Reduced payments at a time when the companies were buying new equipment could not help but stave off dividend days.

The Political Ax

Cancellation of the mail contracts was a blow at the companies in which the majority of investors have their money. Restoration of mail service at this writing is mostly a myth. The Post Office Department states that it is increasing the miles of routes, and will save from six to ten millions of dollars next year. To the investor that means less chance of profitable operations because fewer trips are being made over these routes, and the lines are paid by the number of miles flown. For example, United Air Lines is flying only three schedules between New York and San Francisco. Under the old contracts it flew five. Unless the President orders a radically different program, the post office people will probably continue their present policy in order to save their political faces. Politics do not permit one to admit an error.



One of T. W. A.'s New York-Los Angeles Cargo Planes

Constant engineering and flying under practical test conditions are utterly necessary in any aviation enterprise today if it is ever to pay dividends. The holding companies financed aviation and made it the world leader that it is today. Even the smaller, so-called independent companies got funds from the investors because of the enthusiasm engendered by holding companies, and the fact that flying had become big business. Now the only piece of aviation legislation which has a chance of becoming law during the present session of Congress provides that the holding companies must split up and divorce their manufacturing and operating units by next January.

Under Administration orders all companies doing business with the Government are now obeying that mandate. United Aircraft & Transport already has been split three ways, with Boeing Aircraft Co. on the West Coast and United Aircraft Corp. on the East Coast taking all manufacturing units, and United Air Lines Transport Corp. becoming an independent operating system. American Airways, owned by the Aviation Corp. of Delaware, has changed its name to American Airlines, while still controlled by the Cord interests, which also own Stinson Aircraft Corp. and the Lycoming Manufacturing Co. The operating and manufacturing units controlled by the General Motors Corp. through General Aviation and North American Aviation, it is reliably stated, can be divorced quite easily if the Government gives them enough time, say six months period already stipulated in the proposed law.

While such split-up legislation is confusing and irritating to the investor, a close study of the situation permits this conclusion: It will not make any difference to the investor one way or another. The same able executives now in charge of the various units should be permitted to carry on, unless the politicians go haywire again and decree that everybody who has been in the business prior to March 4, 1933, must be thrown out; or unless the Government decides that it wants to manage all aviation, which is not beyond the bounds of possibility, according to recent remarks of various Congressmen and minor officials in Washington.

Some Not Affected

Other valuable properties should come through the present trial by fire unscathed because they do not combine operations with manufacturing. The Pan American Airways System is solely an operating company. The Curtiss-Wright Corp.'s and Sperry Corp.'s units are doing nothing but manufacturing; likewise the Douglas Aircraft Co., Aeronautical Corp. of America, Fairchild Aviation Corp., Consolidated Aircraft Corp., Great Lakes Aircraft Corp., the Glenn L. Martin Co. and some ten or twelve smaller plane and engine companies which are financed locally.

The Army and Navy equipment demand would promise to keep many of the companies in good shape, were it not for several factors now serving to menace their existence. The Army and Navy needs new equipment as it has not needed it since the World War. Other powers are building up their air forces with renewed vigor while they prate of disarmament. At the present time the United States ranks fourth among the powers in number of combat airplanes in its air forces. All Washington knows that several thousands of new planes are needed as rapidly as they can be delivered.

Such orders would help support the plants against the day when they can sell enough commercial machines to make them financially independent of government orders,

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Clarifying Important Issues

Dual Federal Budget — **Position of Holding Companies**

Billions Are Hard to Spend

AT the present time the Federal Government is spending money at the rate of $18,402,357 each 24-hour day. Against this its tax revenues are running at the rate of only $6,032,381 a day. Thus, every 24 hours puts Uncle Sam $12,369,976 in the hole.

The figures are the average for the first nineteen days of May and are taken from the latest daily Treasury statement available as this is written.

Millions, not to mention billions, are hard for the human mind to grasp, especially when the magnificent spender and borrower is the United States Government, but there is no Santa Claus, even under the New Deal. The matter will become of personal and specific meaning when the income tax payments of the future fall due.

Meanwhile, consider the Nation's family budget in figures more easily comprehensible. Every hour total spending currently averages $766,764, while receipts are only $251,349 and the deficit is $515,415. Still the figures are large. Well, then, every minute from sunrise to sunrise the Government is taking in $4,181, spending $12,779 and running into debt by $8,598.

Nevertheless, the taxpayers have something to be grateful for. The deficit is only a bit more than half what it would have been if the lavish spending forecast by President Roosevelt in his budget message last January had actually been carried out. No payroll was ever padded like that budget, which contemplated a deficit of $7,000,000,000 at the end of the 1934 fiscal year on June 30. Probably the Administration never intended to spend that much. Certainly it has proved humanly impossible to do so.

Accordingly, up to May 19, the cumulative deficit of the fiscal year was $3,557,558,906. Assuming the average spending of the first nineteen days of May is projected to June 30, the final deficit for the 1934 fiscal year will be approximately $4,077,000,000.

Analysis of P W A expenditures strikingly reveals the difficulty of effective Federal spending on a scale large enough to replace normal private spending. Long ago P W A actually approved construction and other projects and "allocated" its full appropriation of almost $3,000,000,000. But whereas it was estimated that $1,000,000,000 of these funds would be actually expended in the six months from January 1 to June 30, in the three months from January 1 to March 31 only $160,000,000 was spent. The latter figure includes $60,000,000 for roads, $6,000,000 for railroad equipment, $10,000,000 for non-Federal projects and $84,000,000 for Federal projects. There is nothing in this showing to suggest a boom for P W A-financed construction. On the other hand, such stimulation of business as is afforded will be available for several years before allocated funds are used up.

A June 30 deficit some $3,000,000,000 under last January's estimate means that $3,000,000,000 of authorized emergency funds will be added to the schedule of possible emergency spending during the 1935 fiscal year, beginning July 1, providing a total upward of $4,000,000,000. If business improves and revenues increase, even the New Deal Administration will find it hard to spend such an amount in twelve months on top of ordinary expenditures around $3,000,000,000.

Holding Companies Under Political Attack

ALONG with large corporate salaries and wealth in general, holding companies appear to be anathema to New Deal politicians. Probably the disfavor in which they are held originated chiefly in the collapse of several of the over-expanded utility pyramids of 1929, notably that of Mr. Insull.

This attitude of political hostility has reflected itself in several directions and goes beyond public utiliy and railroad holding companies. It was strongly present in the Government's recent attack on the air mail companies, involving the necessity of splitting up aviation holding companies into independent units. More important, however, in practical effect upon business is the recent action of Congress in forbidding corporations to make consolidated tax returns.

It is, of course, unsound and superficial reasoning to associate the consolidated tax return in principle with such holding company abuses as exist or with the promotion of top-heavy capitalizations. This is to mistake the exceptional abuse for the rule, a familiar habit of politicians.

The consolidated tax return is an essential accounting device, without which the actual earnings and finances of many large corporations can not be fairly revealed. Consider the case of a single enterprise with incorporated subsidiaries located in various states. A large steel company would be such an example. One subsidiary may operate a railroad, another a steamship line, another an iron mine, another a coal mine. The different manufacturing subsidiaries in all probability specialize in different types of products. Yet this is a single integrated enterprise and to treat each incorporated subsidiary individually for tax purposes constitutes an absurd hardship and will certainly be harmful in effect, involving, as it does, various adjustments of corporate practice and organization.

In most cases subsidiary corporations are integral units of a single parent entity and in practical effect are nothing more nor less than a branch store or a branch factory. The

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America's Foreign Investment Goes Through the Wringer

Trade Balances, and Not Debtor Integrity, Will Determine the Outcome

By WILLIAM P. BLACK

HOWEVER valuable the Johnson chastisement act against foreign debtors may be as a political gesture, its effect can only be to hurry along the final and complete default of America's 10 billion dollar war and reconstruction loans. Forced into a corner by the stipulations of this act, the Administration could interpret its meaning in only one way,—namely, that token payments are no longer to be regarded as evasions of default.

To the eminent Hiram Johnson, therefore, must go much of the credit for speeding the end of a farce that befuddled even the keen brain of Calvin Coolidge. The absurdity of attempting to collect huge international debts while foreigners' goods were being shut out by prohibitive tariffs touched Coolidge not at all. His best production on the war debt issue was the querulous demand, "They hired the money, didn't they?"

Now that Senator Johnson has put his shoulder to the wheel, the topheavy international debt structure appears destined for a good squeeze through the wringer,—on paper as well as in fact. The vicious circle, whereby debtor nations were led to curtail imports in the attempt to acquire foreign exchange for interest payments, owed its beginnings to the war debts. It was strengthened by the heavy post-war private lending. It can now be broken only by a further write down of the private investment account or a substantial increase in our takings of foreign goods.

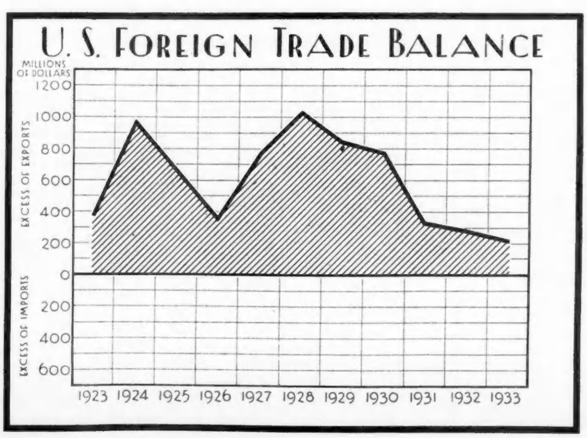
All along there has been a reluctance to admit that foreign bonds were unwise investments. There has been a natural disposition to seize on anything which seemed to indicate an approaching halt in the growing total of defaults. Of late, there has been much stress on the assistance likely to be rendered by the government-sponsored Foreign Bondholders Protective Council. Likewise, the devalued dollar is claimed to have greatly reduced the burden of interest charges payable in dollars.

While it is somewhat late in the day to be singing the blues over foreign bonds, there is always value in a realistic analysis of an investment account. Despite the repatriation which has been going on, particularly in German bonds, there are thousands of investors still holding foreign securities dating from the free lending days of the '20s. The present necessity is to determine whether more defaults are ahead or whether the formation of the protective council and dollar devaluation have halted the "through the wringer" process.

How far the deflation of foreign loans has progressed is evident from a rough inventory of America's foreign investment, which a few years ago was valued at over 26 billion dollars, with war debts figured at 10 billions and the private investment at 16. Whether we like to admit it or not, the collection of only $8,898,123 of the $152,952,637 due last December is strong evidence that war debts, to all intents and purposes, are now a dead issue. Some few more "token" payments may roll in but a prudent corporation accountant, working on the balance sheet of the United States, would hardly hesitate to charge off these credits against the reserve for bad accounts,—if there were such a reserve.

It is the private investment account, however, that is of chief interest to investors. As of January 1, 1934, Max Winkler estimated this at $16,715,000,000 par, with a market value of between eight and nine billions. From the standpoint of going values, therefore, the account has already been written down approximately 50 per cent. Whether or not this is the ultimate write down necessary is the question to be determined.

The default record on foreign bonds for the past four years is: 1930, $708,000; 1931, $632,014,730; 1932, $581,384,820; 1933, $1,104,747,647.



If these figures were charted, we would end 1933 with a line pointing sharply upwards in the direction of still larger yearly defaults. Department of Commerce figures for net receipts on foreign investments show the same discouraging trend: 1930, $616,000,000; 1931, $536,000,000; 1932, $393,000,000; 1933, $367,000,000.

Unsatisfactory as these figures may be, there is ground for believing that the pace, at least, of the default-

ing is now slowing down. It may even be true that the worst of the "through the wringer" process is behind us. The mere fact that probably little more than $3,500,000,000 of foreign bonds, which have escaped default, remain in this country is an indication that last year's record total should not be equalled this year. There is also the somewhat questionable argument that the bulk of the remaining bonds in good standing are of nations generally considered strong financially.

The dwindling list of states thus far entirely avoiding default on private loans is made up of Belgium, Czechoslovakia, Estonia, Finland, France, Great Britain, Italy, the Netherlands, Norway, Poland, Dominican Republic, Switzerland, Australia, Japan and Haiti. The bulk of these would no doubt have been classed as above suspicion as potential defaulters a few years ago. Their past records as borrowers were unblemished and their internal finances generally sound. The same thing might have been said for Germany, however, and it is this that leads to the conclusion that it is the mathematics of foreign trade figures and not a past record for financial integrity that should be the guide in judging foreign securities.

For, unless dollar exchange can be acquired by debtor nations, there is no conceivable manner in which they can meet interest and principal payments on bonds held in the United States. The best of intentions towards the maintenance of interest payments are of no avail if the dollar exchange is lacking. Similarly, no matter how valiantly the officers of the Foreign Bondholders Protective Council battle for the rights of American investors, they can accomplish little more than the temporary postponement of a final and total default as long as the United Sates insists on exporting much more than it imports.

American Private Investments Abroad

	1912	1930
Europe	$200,000,000	$4,929,277,000
Canada	400,000,000	3,941,693,000
Mexico	800,000,000	807,777,000
Central America	40,000,000	160,799,000
South America	175,000,000	3,041,926,000
Cuba	220,000,000	1,066,551,000
West Indies	7,500,000	166,933,000
Africa	......	117,829,000
Asia	60,000,000	1,022,949,000
Oceania	......	419,294,000
Total	$1,902,500,000	$15,675,028,000

(Figures, United States Department of Commerce)

Since the cessation of long-term foreign lending in 1930, dollar exchange has been made available to debtor nations in ways other than the normal one of their maintaining merchandise sales to the United States at a higher level than purchases. In 1931 and 1932, a net withdrawal of $1,180,000,000 in foreign short-term balances here provided the wherewithal. In 1933, a combination of this same withdrawal and the flight of American capital abroad in the face of the inflation threat was the answer. And now, in 1934, our heavy gold purchases in London and on the Continent are supplying the dollar exchange.

None of these methods of acquiring dollars can be other than temporary. Already, foreign short-term balances here are well below what is considered normal and are more likely to be increased than decreased in the immediate future. Similarly, the flight of American capital abroad has long since stopped and the funds are now gradually heading for home. Furthermore, Europe's supply of gold is not inexhaustible and shipments cannot be expected to carry on for long at the February or March rates.

In other words, the day appears to be approaching when the anomaly of a four-year $1,631,000,000 favorable merchandise trade balance going hand in hand with a net $1,912,000,000 collection on the foreign investment account must come to an end. The offsetting items in the current international balance sheet,—tourist expenditures, immigrants' remittances, freight and shipping, charitable contributions and government transactions,—are too small to balance these two huge totals. In 1933, they fell $173,000,000 behind the sum of a $226,000,000 favorable merchandise balance and a $367,000,000 collection on the foreign investment account.

For another year or two, gold and possibly silver shipments to the United States could delay the day of reckoning. Ultimately, however, one of two things must happen. Either the United States must reduce its favorable merchandise balance by increasing its imports and/or decreasing its exports, or it must accept a much lower return on its foreign investments than is now coming in.

To decide which of the two alternatives is the more likely to take place, calls for some study of the Administration's leanings. Is President Roosevelt determined that holders of foreign bonds shall receive their dues or is he more interested in the expansion of America's export trade? Will he insist that debtor nations apply the proceeds of their merchandise sales to the United States to the servicing of debts or will he prefer to have them buy greater quantities of American goods?

If there were ever any doubts as to the right answers to these questions, recent events have removed them. The expansion of America's exports manifestly is now one of the chief interests of the Administration. And, by this time, it should be apparent that stimulating new sales and collecting on past loans are directly conflicting purposes.

In the President's tariff message, the omission of any mention of the claims of foreign bondholders is highly significant. Unlike the British-Argentine commercial agreement, the reciprocal trade pacts, which he contemplates, are apparently to include no provisions for applying part of the proceeds of increased imports to the servicing of debts. The entire stress is, therefore, to be on increasing exports to the full extent of the concessions granted on imports.

It should be remembered also that the Government, through the new export-import banks, is proposing to extend credits wherever it can do so without violating the stringent prohibitions of the jingoistic Johnson Act. While such credits will, perhaps, be small, they will represent the significant fact of Government re-entry into the field of foreign lending. And unlike the war debts, the new credits will tend to attain a preferred rating over the older private loans.

In the face of two-fold Government competition, the Foreign Bondholders Protective Council has a hard row ahead in its assignment to collect debtor nations' dollar exchange in behalf of the private bondholder. It will be in direct conflict with an Administration pressing for the exchange to be used, on the one hand, for current purchases of American merchandise and, on the other, for payment of principal and interest on its credits for past

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Where Are the Utilities Headed?

Government Compeition, Taxation and Rate Agitation Darkens the Outlook—The Time for Real Owners of Public Utilities to Come Forward Is at Hand

By Ernest Greenwood

YEARS before the vicissitudes of the present world depression were envisaged, Rudyard Kipling wrote a poem entitled "The Gods of The Copybook Headings."* Two of its verses run like this:

In the Carboniferous Epoch we were promised abundance for all
By robbing selected Peter to pay for collective Paul;
And, though we had plenty of money, there was nothing our money would buy
And the Gods of the Copybook Headings said;—"If you don't work you die."

Then the Gods of the Market tumbled, and their smooth-tongued wizards withdrew,
And the hearts of the meanest were humbled and began to believe it was true
That all is not gold that glitters, and two and two make four—
And the Gods of the Copybook Headings limped up to explain it once more.

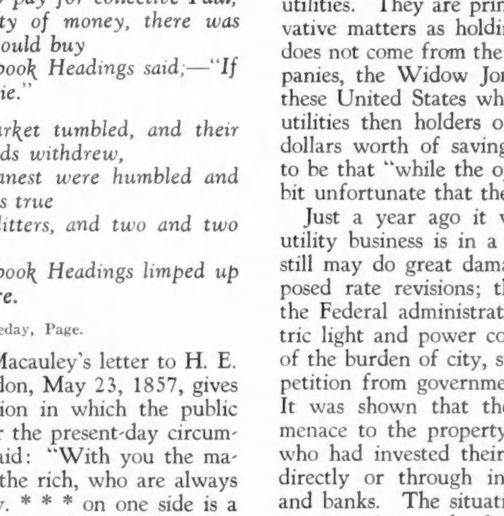
* Rudyard Kipling's Verse—Doubleday, Page.

Which, hooked up with Lord Macauley's letter to H. E. Randall of New York, dated London, May 23, 1857, gives a very good picture of the position in which the public utilities now find themselves under the present-day circumstances. In his letter Macauley said: "With you the majority is the government, and has the rich, who are always a minority, absolutely at its mercy. * * * on one side is a statesman preaching patience, respect for vested rights, strict observance of public faith. On the other is a demagogue ranting about the tyranny of capitalists and usurers. There will be, I fear, spoliation. The spoliation will increase distress. The distress will produce fresh spoliation."

Now we have the "New Deal," and it remains to be seen whether its effect on the public utilities show that there was some merit in Lord Macauley's pessimistic predictions. Is there a definite campaign of spoliation producing distress which, it turn, will produce fresh spoliation?

It is such thoughts which prompt the question: Where are the utilities headed? The answer is all too obvious. They are headed for precisely that degree of misfortune which the three and half or four million holders of public utility securities will tolerate. In other words, it is up to the stockholders and bondholders to determine how far competition from the Federal Government or municipally-owned plants will cut into the present utility business. To judge by the passive attitude shown recently, no help can be expected from the executives and operators of the utilities. They are principally concerned with such conservative matters as holding their jobs. Therefore, if action does not come from the banks, the great life insurance companies, the Widow Joneses and all the other interests in these United States who are the real owners of the public utilities then holders of equities amounting to billions of dollars worth of savings, the concluding chapter is going to be that "while the operation was a grand success it is a bit unfortunate that the patient died."

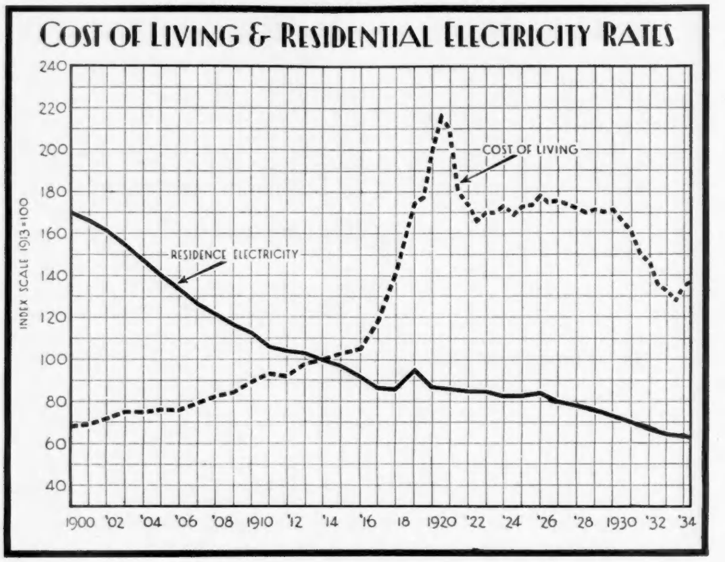
Just a year ago it was stated in these pages that the utility business is in a state of siege which has done and still may do great damage. Attention was drawn to proposed rate revisions; the unfriendliness of Congress and the Federal administration; the demand that gas and electric light and power companies carry a much larger share of the burden of city, state and Federal expenditures; competition from government-owned and operated enterprises. It was shown that these things constituted a very real menace to the property and income of millions of people who had invested their savings in these enterprises either directly or through institutions, as insurance companies and banks. The situation as it appeared then was only a curtain raiser to the first act of the real play as it is being produced today.



In order to understand the well organized campaign of the various advocates of government ownership and operation of everything under the sun—with particular attention, for the moment, to the public utilities—we must have some understanding of the public utility structure. First we have the great or super holding company with activities scattered over a large area—many states in fact or, perhaps, in many countries. Its money has been invested largely in the common stocks of operating companies. Against these portfolios of common stocks they have issued bonds, preferred and a variety of common stocks which have produced dollars from investors with which to pay for the

operating companies' common stocks. To pay earnings on their own securities these holding companies are dependent on such dividends as the operating companies can pay on their common stocks.

Next we have the so-called operating and management companies. They do not necessarily control the operating companies with which they have contracts for services. They may have considerable holdings of the securities of the operating company but not to such an extent that they can be said to control their destinies. They are a little better off than the big holding companies because they can produce real evidence of service rendered for which they are paid service fees—engineering service, purchasing service, executive service, and what not.



Traveling down the line a bit further we come to the smaller holding company—the company which is more or less in control of the operating companies in a restricted area, possibly in a single state, or part of a state. Like the great holding company its control lies in the fact that it has invested its money in the common stocks of the operating companies but it, in turn, is subject to the great holding company because the latter holds control of its common stock.

Then we come to the operating company—the local electric light, gas, water plant or street car system. Here we have the real public utility business of the United States—sound, stable and rendering a very real service for which the public pays and whose securities represents tangible property in use or useable in the public service. It is only by starving these companies through such devices as higher and higher taxes which cannot be passed on to the consumer and a continual bearing down on rates in order to reduce gross earnings to a minimum that the advocates of government ownership and operation can hope to break up the public utility industry into little bits so that it can be more easily swallowed and digested by government—"robbing selected Peter to pay collective Paul."

Keeping this structure well in mind, what has been the announced purpose of these groups who would tear down a great American industry—an industry which could only be the product of a new country with a business and social economy based on individual initiative and personal liberty?

First they would tear down the holding company. The holding company represents massed capital. Yet it is the holding company which gives strength to the operating company here, there and everywhere either through the smaller holding company or directly. It is the holding company that so often makes it possible for the operating company to refinance maturing obligations or secure new capital at a minimum cost. It is the holding company spreading over a vast field that holds up the weaker operating company until it can stand on its own legs. But the holding company depends, for its very existence, on the earnings on the common stocks of the operating companies—answer, starve the operating companies or create situations which make it impossible for the holding companies to do for the operating companies what they have done in the past. No one seems to care about the fact that receivership for the holding company means a distribution of the common stocks of the various operating companies which they control to the owners of the holding company securities and, if the operating companies have been starved out, this is simply the trading of one bunch of paper for another bunch of paper. In other words, it means the wiping out of an equity owned by American citizens of what is, at a rough guess, four billion dollars. All of which brings us to a specific case—the Tennessee Valley Authority — which will perform with precision the functions of an agency to carry on the very campaign which is the announced program of the government ownership and operation people.

The Tennessee Valley Authority is, of course, just another name for a Federal government owned and operated electric light and power enterprise which will compete with the privately-owned enterprises in the area in which it will operate. It is the old story of the government competing with its own citizens while it taxes those citizens in order to raise the necessary funds with which to establish that competition.

But there are many things in the minds of those who are, for the moment, guiding the destinies of the T V A other than the comparatively simple one of running existing private companies out of business. There is, for example, the coming survey of electric light and power company rates under the auspices of the Federal Power Commission. It is presumed that this will establish the average domestic rate for electricity for every community in the United States. These rates will then be compared with the rates promulgated by the T V A just as Senator Norris and his followers have always compared Ontario domestic rates with various isolated rate structures in the United States. Never is any regard given to the fact that in Ontario the domestic rates—the vote-getting rates—are subsidized at the expense of business, commercial and industrial rates. Nor will any attention be paid to the fact that T V A domestic rates are the rates or a government-owned, non-tax-paying enterprise with virtually no restrictions as to methods of book-keeping and the devil take the tax-payers who will have to make up the deficits, concealed or unconcealed. But what a grand opportunity to create a local demand for a municipally-owned and operated plant!

There is another interesting development in the plans of the Tennessee Valley Authority in the light of past history. It proposes to go into the business of merchandis-

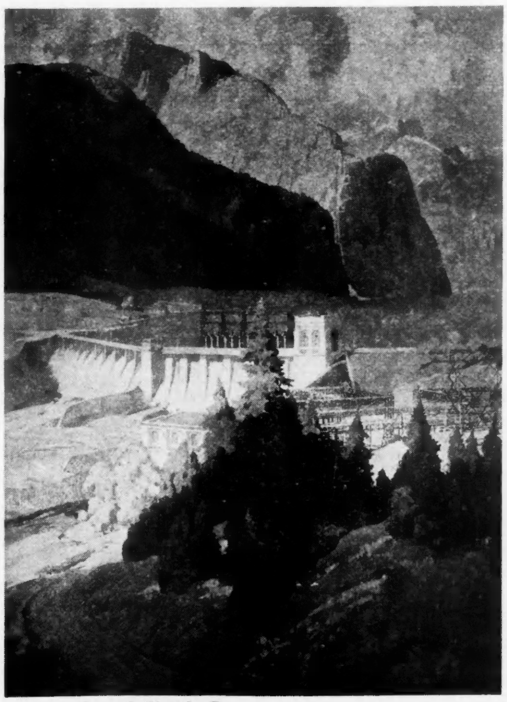
ing appliances—the same people who were always attacking the privately-owned utilities for merchandising appliances are now advocating the idea that the government should go into the business. They are saying to manufacturers of these appliances—electric ice boxes, vacuum cleaners, irons, etc.—that in making a price to the government they must forget the cost of research, machinery, dies, et cetera, and make a price based on actual cost of production, that is, raw materials, labor and a slight profit. Otherwise the government will go into the business of making the appliances themselves. Furthermore, in order to get these appliances on the line, they propose to offer such terms to domestic consumers that they are virtually giving them away. What electrical manufacturer or producer of kilowatt hours can compete with a scheme like this?

There is, however, a comforting ray of sunshine in the whole situation and this is the fundamental common sense of the American people. There is no such antagonism toward the public utilities in the communities where they operate as there is in Washington. The most radical people in the United States are drifting toward the capital. Their opposition to privately-owned utilities is not unexpected. The security holder receives no consideration.

But the sentiment out in the country, in the small towns is conservative. When it comes to the voting of bonds with which to build a municipal plant to compete with the local existing plant they hold back. New bond issues mean more taxes in one way or another and various projects are being defeated largely on these grounds. In addition there is the opposition of organized labor. There are, for example, the vigorous protests of the coal industry against the creation of government electric projects on the grounds that such plants would reduce utilities' use of coal and thereby cause considerable additional unemployment in the mining industry. John L. Lewis, president of the United Mine Workers of America has expressed definite opposition to these projects. If powerful interests such as these oppose further invasion of private business, by lobbying or other methods, it may be that they will do more in the interests of the electric utilities than the utilities themselves could accomplish.

The tax burden on the public utilities constitutes another serious menace to their general welfare. It has by no means reached its peak. It is the popular thing to "soak" the utilities and so long as our various governments are in the hands of politicians and demagogues rather than in the hands of business men taxes will be imposed on the theory of "soaking" the rich, the utilities, and other big businesses. Likewise, as long as there is not enough concerted objection to reckless extravagance, nepotism, log-rolling, pork-barrel legislation, our politicians will continue to increase the nation's debt and its taxes.

Already one of the nation's largest tax collecting agencies, the utilities offer easy and comparatively painless collection of additional taxes, so it may be assumed that future taxes will be imposed on them out of all proportion to other tax-payers on the theory that all of their taxes are passed on to the consumer in rates for service. Ordinarily this might be true, but it is becoming increasingly difficult or almost impossible in the face of the almost universal demand for reduced rates. No one knows when, where and how special taxes will be designed for imposition on the utilities with prohibitions against passing them on to the consumer as in the case of the 3-per-cent Federal Excise tax which was shifted last September from consumers to privately-owned companies but *not to municipally-operated utilities.* This was, of course, rank discrimination but fitting in with the pattern being designed by the advocates of government ownership and operation. It constitutes a form of rate reduction of which the consumer is not conscious and for which the private utility receives no credit whatsoever. Typical cases throughout the country show that utilities are paying more in taxes than they pay to their stockholders in dividends and, in some instances, amounting to as much as 50 per cent of the total amount paid in salaries and wages.


Courtesy General Electric Co.

In connection with this same question of taxes it should be noted that government expenditures—Federal, state and local—for the fiscal year 1934 will probably total something like 17 billion dollars which is 42 per cent of the estimated national income of 40 billion dollars for 1933. In 1929 tax collections accounted for only 11 per cent of the national income. Furthermore, the total public debt has increased from 30 billion dollars in 1929 to 45 billion dollars—an increase of 50 per cent during a period when the national income decreased 50 per cent!

The abolition of consolidated returns is another measure which is to the distinct disadvantage of holding companies and will discourage any new mergers. The Treasury Department in the past has always encouraged consolidated returns and wanted them retained but recommendations in this direction have been ignored by Congress. Their abolition may easily result in the juggling of accounts between parent and subsidiary companies when total income taxes can be reduced by such practices. It must be expected that every legitimate method of tax avoidance or evasion will be employed under the circumstances.

The question of a "fair return" on money invested in privately-owned public utilities is another issue with which the advocates of government ownership and operation are continually beclouding the minds of the average citizen. What is it, anyhow? It is nothing more or less than a return sufficient to induce investors to provide necessary capital for improvements in facilities to keep pace with public demands for service. This return must provide for depreciation and obsolescence and give the investor a net yield as great as he could obtain in some other industry. The substance of all court decisions is that "the owner of property is entitled to reasonable compensation for its use

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Past, Current and Prospective Position

Company	Plant—Book Value (millions)	Funded Debt (millions)	Common Stock (shares)	Gross Operating Revenues (millions)	Ratio Com. Stock Earnings to Gross	Derivation of Gross Revenue: Elec. %	Gas %	Rwy. and Ice %	Water, H't, Telephone %
American & Foreign Power	691.0(3)	198.5(3)	1,895,630 (n. p.)	54.4(4)	d	80	3	15	2
American Gas & Electric	387.9	194.4	4,395,006 (n. p.)	57.0	13.2%	98	..	..	..
American Lt. & Tract.	170.8	64.4	2,767,388 ($25 par)	33.7	13.5%	15	72	3	10% coke
American Power & Light	717.6(3)	366.2(3)	3,008,512 (n. p.)	72.4	d	85	8	6	1
American Waterworks & Electric	386.6	184.9	1,750,888 (n. p.)	42.5	5.0%	NF	NF	NF	28% water
Associated Gas & Electric	769.4	509.9	4,563,800 Cl. A. ($1 par)	81.3	d	79	13	8	
Brooklyn Union Gas	111.9	49.3	742,084 (n. p.)	23.1	19.8%	..	100	..	..
Columbia Gas & Electric	608.4	171.0	11,608,596 (n. p.)	74.5	7.9%	31	65	2	2
Commonwealth & Southern	1,044.0(3)	494.2(3)	33,673,328 (n. p.)	109.0	d	78	8	12	2
Commonwealth Edison	310.0	195.2	1,642,084 ($100 par)	72.6	10.2%	100	..	..	..
Cons. Gas, El. Lt. & Power (Baltimore)	132.1	64.4	1,167,397 (n. p.)	27.5	16.6%	66	32	..	2
Consolidated Gas of N. Y.	1,284.4	397.7	11,476,527 (n. p.)	222.9	17.0%	75	20	..	5% steam
Detroit Edison	290.9	134.0	1,272,260 ($100 par)	41.5	14.8%	95	1	..	4% steam
Edison Electric Illum. Co., The	171.2	71.0	534,875 ($100 par)	29.3	18.3%	98	..	..	2% steam
Electric Power & Light	624.4(3)	266.9(3)	3,388,745 (n. p.)	68.1(7)	d	51	31	12%	
Engineers Public Service	324.0	149.1	1,909,802 (no par)	41.8	d	76	3	16	5
Federal Water Service	173.2	104.5	569,539 Cl. A (n. p.)	15.9	d on Cl. A	Chiefly water; small amount of gas.			
International Hydro-Electric	523.8	286.7	858,197 Cl. A ($25 par)	58.7	3.1%	84	8	8	..
Louisville Gas & Electric	80.5	30.5	600,374 Cl. A (n. p.)	9.6	16.5%	75	25	..	..
National Power & Light	519.0(3)	280.8(3)	5,455,884 (n. p.)	68.3(7)	7.5%	82	6	10	2
New York Steam	55.0	27.5	360,000 (n. p.)	10.4	8.8%	..	..	..	100% steam
Niagara Hudson Power	578.2	224.6	8,737,913 (par $15)	69.0	8.4%	86	14	..	..
North American Co	669.1	316.5	8,188,451 (n. p.)	100.9	9.6%	74	4	15% Rwy.	..
Pacific Gas & Electric	659.6	296.7	6,274,357 ($25 par)	84.6	11.0%	71	27	1	1
Pacific Lighting	230.0	100.0	1,608,631 (n. p.)	44.9	11.7%	17	81	1	1

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# of Leading Public Utility Companies

Ratio of Maint. & Deprec. to Gross	Plant Value	Common Stock Earnings 1932	1933	Latest 1934	Recent Price of Common	Common Dividend	COMMENT
NF	NF	$8.17 on Pfd. stock	$6.81 on Pfd. stock(4)	....	8	....	No earning power has been shown on common in last two years. Stock represents a speculation on large future growth possibilities of utility properties abroad.
18.3%	2.69%	2.32	1.75	1.78(2)	24	$1.00† 4% stock	The strong and conservative position of this utility equity has been amply proven in the past two years. Carries a large industrial load.
10.9%	2.60%	2.18	1.64	1.62(2)	14	1.60	This conservatively managed and financed utility controlled by United Lt. & Power, has resisted earnings decline, but earnings now only slightly above divd. payments.
NF	NF	4.79 on Pfd.	2.20 on Pfd.	2.04(5) on Pfd.	7	....	Geographical diversification of properties should result in healthy increase in revenues as general economic conditions improve. In view of continued earnings decline, now pays only $1.50 rate on $6 pfd.
NF	NF	1.38	1.22	....	18½	1.00	Co. successfully refunded $15,000,000 bonds due in March by issue of par for par by bonds convertible into stock at $20 a share. Common stock is one of the sounder utility equities.
NF	NF	Fixed charges earned 1.00x	Fixed charges earned 0.89x	Fixed charges earned 0.84x(2)	¾	....	Company has been busy readjusting its various bond issues to the actuality of declining earnings. Bond interest now being earned only 0.84 times.
10.8%	2.24%	6.79	6.18	6.03(2)	62½	5.00	Earnings of this conservatively financed and managed gas company have held up well in excess of present dividend rate.
16.0%	1.96%	0.96	0.51	0.49(2)	12½	$0.50 in 5% Conv. Pfd.	Company is probably the largest factor in natural gas in the East, with large potentialities for expansion of business when conditions are right.
13.9% (3)	1.53% (3)	0.12	5.67 on $6 Pfd.	0.01(6)	2⅛	....	Properties are well diversified geographically, and thus is reflecting to some extent by general business pick-up, but even so, earnings increase still insufficient to show anything on common.
15.7%	3.52%	6.24	4.56	4.77(2)	50½	4.50	Common stock is sound equity as utility supplying Chicago with electricity. Moderate rise in earnings during first quarter.
12.6%	2.62%	4.29	3.91	4.07(2)	62	3.60	Rated as one of the best managed utility companies in the country. Common stock is a sound equity.
NF	NF	4.07	3.31	2.99(2)	32	2.00	This company, the world's largest gas and electric utility, recently again reduced its dividend in reflection of lower net earnings, but present $2.00 rate appears secure. Stock a conservative utility equity.
14.8%	2.11%	5.21	4.82	5.68(6)	76	4.00	Revival of the automobile industry this year has resulted in large scale recovery in output and earnings of company. Stock is a sound equity in conservative company.
NF	NF	12.39	10.02	....	138	10.00	Nearly all of the earnings of this sound utility company is being paid out in dividends. Serves the Boston area and vicinity, and government attitude is fair.
NF	NF	def 0.33	Fixed charges earned 0.98x (7)	....	5½	....	First quarter results 1934 indicates no appreciable recovery in gross earnings. Fixed charges of system not being fully covered.
16.4%	2.12%	0.97	$2.96 on $5 Pfd.	$2.23 on $5 Pfd.	5	....	Earning power on the common has vanished, with net continuing to decline during the 1st quarter 1934. Over 90% of the common held by Stone & Webster, Inc.
10.6%	0.97%	$4.61 on Pfd.	$3.70 on Pfd.	....	2⅛	....	Continued recession in earnings is gradually reducing earnings to a point where even the preferreds show a diminishing fractional coverage. Co. heavily capitalized.
13.9%	1.56%	2.72 on Cl. A (g)	2.25 on Cl. A (g)	....	6	....	First quarter 1934 net earnings continue trend of improvement. Earnings on Cl. A stock sufficient to pay $2.00 divd., but these are being used to strengthen Co. financially.
13.3%	1.60%	1.93(a)	1.76(a)	1.88(a) (2)	17	1.50	Dividend on the Cl. A has recently been reduced from $1.75. Earnings applicable to the $1.50 Cl. A dividend, which comes prior to a similar dividend on the Cl. B, shows a reasonable safe margin.
NF	NF	1.26	0.94	....	10	0.80	System has shown strong resistance to earnings decline. Properties are well diversified geographically. About 47% of common held by Electric Bond & Share.
11.5%	2.20%	2.90	2.67	3.34(2)	21¼	1.20	In spite of sharp increase in earnings for the 1st quarter 1934, Company has reduced the dividend. Longer term outlook promising. About 75% of stock owned by Cons. Gas Co.
12.3%	1.47%	1.07	0.66	0.73(2)	5¾	....	Company reduced bank loans substantially in 1933, but until practically paid off, resumption of common payment unlikely.
19.4%	2.93%	2.01(y)	1.22(y)	1.19(2)	17	$1.00x 4% stock	Properties well diversified, and in addition owns large investments in Pacific Gas & Electric and in Detroit Edison. Well managed holding company, in strong financial condition.
18.7%	2.41%	2.10(y)	1.48(y)	1.27(2)	17⅛	1.50	System is the largest utility on the Pacific Coast. Reduced rates and increasing taxation are still having the effect of nullifying increase in business.
18.7%	3.66%	3.03	3.28	....	31¼	3.00	Conservative and well managed utility with large industrial gas load in the Los Angeles area. Stock is a sound equity.

next page)

Past, Current and Prospective Position of

Company	Plant—Book Value (millions)	Funded Debt (millions)	Common Stock (shares)	Gross Operating Revenues (millions)	Ratio Com. Stock Earnings to Gross	Derivation of Gross Revenue: Elec. %	Gas %	Rwy. and Ice %	Water, H't, Telephone %
Peoples Gas, Light & Coke	154.4	82.6	676,210 ($100 par)	30.7	5.9	..	100%	..	..
Public Service of N. J.	628.2	203.0	5,503,193 (n. p.)	116.7	14.2	54	25	21	..
Southern California Edison	351.4	137.9	3,121,735 ($25 par)	35.1	12.2	100	..	..	..
Standard Gas & Electric	1,053.4	480.5	2,162,607 (n. p.)	124.1	def	67	15	16	2
United Gas	245.7	41.6	7,818,959 ($1 par)	20.5	def	About 92 % natural gas.			
United Gas Improvement	604.2	45.1	23,251,735 (n. p.)	95.8	29.9	75	19	3	3
United Light & Power	447.5	262.9	3,473,923 (n. p.)	71.1	d	47	41	7	5
Utilities Power & Light	334.2(e)	220.5(e)	1,635,460 Cl. A ($1 par)	47.6	d	78	19	3%	

Telephone & Tele

Company	Plant	Funded Debt	Common Shares	Gross Revenues	Ratio Com. Earnings to Gross	Ratio of Maint. and Deprec. to Gross	Ratio of Maint. and Deprec. to Plant
American Tel. & Tel.	4,292.2	1,037.6	18,662,275 (par $100)	882.1	12.9	....	....
International Tel. & Tel.	408.7	194.6	6,399,002 (n. p.)	66.9	1.0	....	....
Western Union Telegraph	333.7	107.9	1,045,279 ($100 par)	82.3	5.3	....	....

Management and Miscellaneous Hold

Company	Assets (millions)	Funded Debt (millions)	Preferred Stock	Common Stock
American Cities Power & Light	16.3(m)	none	155,337 $3 Cl. A ($55 liq. value)	2,908,485 Cl. B ($1 par)
American Superpower	110.9(q)	none	312,819 $6 1st Pfd. 235,207 $6 Pref.	8,293,005 (n. p.)
Central States Electric	75.7(q)	37.9	163,640 7% & 6% Pfd. 46,974 Conv. Pfd.	10,125,884 ($1 par)
Electric Bond & Share	550.2(2)	none	300,000 $5 Pfd. 1,155,655 $6 Pfd.	5,267,147 (par $5)
General Gas & Electric	84.7	9.4	657,443 Combined Pfds.	5,961,904 Cl. A (n. p.)
Stone & Webster	72.2	none		2,104,391 (n. p.)
United Corporation	189.3(q)	none	2,489,065 $3 Preference	14,529,492 (n. p.)

(a) Distributable on Cl. A and Cl. B shares.
(d) Deficit.
(e) Estimated (English properties figured at $5¼ to £).
(g) Applicable earnings.
(m) Investments made prior to April 29/33 carried at market price as of that date, subsequent investments at cost.
(q) Investments valued at cost.
(y) Earned on average number of shares outstanding for the year.

Leading Public Utility Companies (*Continued*)

Ratio of Maint. & Deprec. to Gross	Ratio of Maint. & Deprec. to Plant Value	Common Stock Earnings 1932	Common Stock Earnings 1933	Common Stock Earnings Latest 1934	Recent Price of Common	Common Dividend	COMMENT
13.4%	2.66%	6.20	2.90	2.52(2)	30⅝	....	A soundly managed and financial operating company supplying Chicago and environs with gas. Emerging from the bad effects of the Insull aegis.
16.2%	3.01%	3.35	3.00	....	36	2.80	A well managed company operating in excellent compact territory with attractive possibilities for future growth in load.
15.4%	1.54%	2.06(y)	1.34(y)	1.14(2)	16⅜	2.00	Earnings considerably below dividend rate, indicating possibility of a downward revision, but company is a sound operating unit.
11.8%	1.39%	$6.45 on $7 pr. pfd.	$5.41 on $7 pr. pfd.	....	10	....	The common has considerable speculative interest because of its tremendous leverage, but net earnings must first show a strong revival.
NF	NF	$12.37 on 1st $7 pfd.	$5.04 on 1st $7 pfd.	$6.44 on 1st $7 pfd.(2)	2½	....	Deficit on common stock for 1933 amounted to 90 cents a share, compared with a deficit of 48 cents in year 1932. Generally higher fuel prices now should aid company's earnings and business.
11.5%	1.83%	1.36	1.23	1.23(2)	15⅝	1.20	Common stock represents a strong equity in a soundly managed and conservatively financial utility system.
14.9%	2.37%	0.16	2.33 on Pfd.	2.20 on Pfd. (2)	2¾	....	The common shares are highly speculative, being preceded by heavy prior obligations of subsidiaries serving 13 states.
14.1%	2.01%	def $2.44 on $7 Pfd.	0.46 on $7 Pfd.(4)	....	3	....	Company's heavy capitalization is handicap. Owns extensive properties in Great Britain which are showing up very well. Nothing earned on the Cl. A stock in over two years.

graph Companies

Earned per Share of Common 1930	1931	1932	1933	Latest 1934	Price of Common	Div'd on Common	COMMENT
37.9%	8.83%	5.96	5.38	5.41(2)	113	9.00	Present dividend rate is far in excess of system's consolidated earnings, but the exceptionally liberal maintenance and depreciation charges have resulted in cash position being well maintained.
NF	NF	def 0.61	0.11	....	11¾	....	The telephone and manufacturing divisions have shown good increases in net during 1933, but telegraph division (Postal Tel. & Tel.) is still showing large losses.
NF	NF	def. 0.81	4.18	5.03(2)	43	....	Favorable showing of net earnings during 1933 resulted almost entirely from economies in operating expenses. Uptrend of net continued during 1st quarter 1934.

ing and Investment Companies

Earned per Share Common 1932	1933	Latest 1934	Price of Common	Dividend on Common	COMMENT
d	d	....	3½	0.20 on Cl. B	About 45% of market value of portfolio consists of North American common: the remainder, a diversified list. Market value of portfolio on Feb. 10, 1934, equalled $115 per sh. Cl. A and $3.17 per sh. Cl. B.
$1.04 on 1st pfd.	$2.00 on 1st pfd.	....	2½	....	Market value of total assets on Dec. 31, 1933, was $40,493,450; of which about $15,000,000 less cash or U. S. Govt. bonds. Investments chiefly utilities. Common stock chiefly a leverage proposition.
Bond int. covered 0.99x	Bond int. covered 0.66x	....	1¼	....	Chief investments in North American common, Am. Cities P. & Lt., Shenandoah common, and Electric Shareholdings. Market liquidating value of portfolio about $5.50 per $1,000 bond about May 23rd, 1934. Nothing behind pfds. or common.
.....	.....	0.39(2)	14	....	Largest stake is in Am. & Foreign Power, but also has majority of Electric Power & Lt. common, as well as dominating interest in United Gas, Am. P. & Lt., and Nat'l P. & Lt. Common stock has large leverage if utility stocks advance.
4.36 on Pfd.	def. 0.04 on Pfd.	....	¾	....	Company chiefly an investment organization, but owns some operating utility properties. Chief investments in the securities of Assoc. Gas & Elec., by which it is controlled. Outlook depends chiefly on future of this latter company.
0.48	def. 0.04	def. 0.83(2)	7½	....	Chief holdings are in Engineers Public Service, of which 91% common is held, and Sierra Pacific Elec. Co., of which 94% common is held.
0.44	0.24	0.19(2)	5⅛	....	Through its large holdings in stocks of five of the largest Eastern utilities, the common is in a position to reflect general improvement in the earnings of these companies when fundamental conditions for the utilities becomes more favorable.

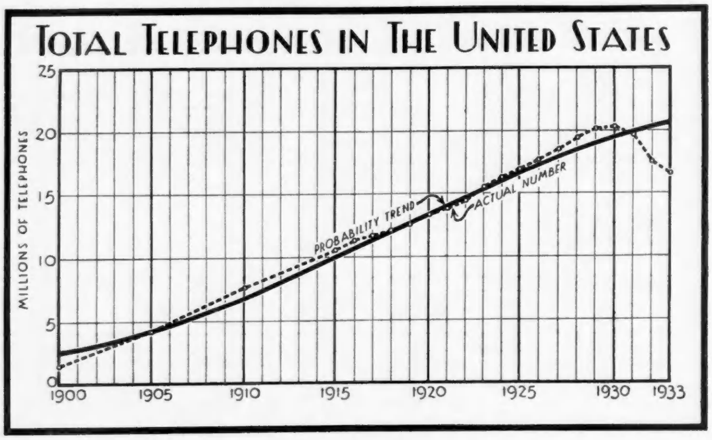
(2) Twelve months ended Mar. 31, 1934.
(3) As of or for 12 mos. ended Dec. 31, 1932.
(4) As of or for 12 mos. ended Sept. 30, 1933.
(5) As of or for 12 mos. ended Feb. 28, 1934.
(6) As of or for 12 mos. ended April 30, 1934.
(7) As of or for 12 mos. ended Nov. 30, 1933.

Hope of 681,000 Investors

The Political Attack—The Economic Problem—The Financial Status — The Dividend Prospect

By William Wren Hay

WHATEVER one may prognosticate for American Telephone & Telegraph Co., it is certain now that the management of this vast corporation lost control of the budget when the depression forced telephone users in large numbers to give up this convenient service. From the early years of its existence there was highly intelligent planning, and the accomplishment of those plans up to the beginning of the depression was aided by a steady increase in telephone connections and was always under control. The hardships of economic distress first altered the outlook and now political pressure is being exerted to distort recovery. At this time there is no danger of wrecking this great enterprise with its vast net-work of telephone systems; but from now on, as long as the New Deal continues its ruthless warfare on great American institutions, the budget of the parent company may be repudiated time and again because external factors will control the management.



One reason for this loss of control by the management is the scarcely known fact that the growth of the use of telephone (see chart) was abnormal towards the end of the New Era. A business providing public service has no choice when the use of its facilities exceeds normal expectations; it must meet the demands regardless. Furthermore, it now appears as though the officials of A. T. & T. Co. were themselves caught in the delusions of the late-lamented New Era and planned further expansion as though business would soon return to what are now revealed to have been abnormal conditions. The net result was over-expansion of plant and with it the sale of more shares of common stock than the subsequent business could support.

Expanding Service Demand

However, there is some hope that the recovery promised under the New Deal will restore telephone use to a normal which should ultimately exceed the peak demands of the New Era. The only question then would be whether the influence of political control or inflation might not prevent profitable use of the present plant facilities. The problem faced by investors is whether the common shares of A. T. & T. Co. are likely to continue in favor or whether their former high classification ought not to be modified, for a while at least.

The financial condition of the company is excellent, despite the ravages of the depression years. Its capital structure is simple, consisting of about 15% of the net worth of nearly 3 billion dollars in funded debt and 85% represented by the book value of the common stock capital and surplus. Reserves and Profit and Loss Surplus totalling 404 million dollars are balanced by bonds and other warrants of associated companies plus stock of the "other companies" totalling 409 millions. Presumably these securities would be good loan collateral if the funds were needed, consequently we take it that reserves and surplus are liquid. In addition thereto, current assets at the end of the year were 138 million dollars in excess of current liabilities; that is, working capital would account for one-third of reserves and surplus. Nevertheless, assets no matter how huge are not the basis for investment.

The best criterion of sound investment in common stocks is earning power, consequently an examination of factors and influences likely to affect the income of A. T. & T. Co. is of great interest at this time. Let us assume, for the sake of simplicity, that the economic factor of business recovery or failure to recover be neglected,—it is common to all investments. There remain, then, several other conditions of prime importance which we may classify as (a) external and beyond control and (b) internal or within control of the management:

(a) External Factors
Political: Legislation
Taxes
Rates
(b) Internal Factors
Financial: Budget planning
Dividend policies

First and foremost in the public eye today are the drives in Washington to subject all electrical communications services, telephone, telegraph, cable and radio, to the control of a single commission; and also to bring telephone and telegraph companies under an N R A code for other purposes. A. T.

& T. Co. is already subject to a perfunctory control by the Interstate Commerce Commission, and there is no particular reason, other than to coordinate governmental regulation, why its inclusion with other such utilities should be dangerous. However, the drive to bring the telephone and telegraph utilities under one N R A code for the avowed purpose of regulating trade practices has been strenuously opposed by all except the weaker concerns which such a maneuver would "bail out," perhaps by forcing a merger of competitors. The experience so far with codes has been that costs have been raised and in most instances the increment to prices has been passed on to consumers. It is extremely doubtful whether the telephone companies could pass their added costs on to users by raising the rates, and certainly it would not be wise to attempt to do so at this time.

Political Fallacies

The fallacies of the New Deal fostered by damagogues and supported by politicians are nowhere more prevalent than when concerned with the rates for public utility services, whether telephone or electric, privately or publicly owned. The people want to eat their cake of very efficient utility service and politicians tell them they can have it at little cost—except votes for the "right" man! Attacks on the rates for electricity have been founded on the ill-gotten gains of rotten "holding companies" and the good suffer with the bad. "Friends of the people" are now waging war on telephone rates. There is little or no consideration of common equity or of the Constitution by those making these demands—the utility is vulnerable to public demands. A. T. & T. Co. is already in the courts in various parts of the land, fighting rate reduction orders by state commissions mindful of the voice of the people, while other political bodies are imposing one tax structure upon another in contravention to rate reductions.

How the confusion of the New Deal will finally settle no one knows. It is possible, however, to forecast that as the pressure grows greater and greater, rate decisions will be made granting "a fair rate of return" on a fair value of the property, but what will be considered a fair rate of return would be considerably less than in the past. At this time it appears as though public utilities would be permitted to establish their rates so as to be assured of 5-5½%. The rate of return earned by A. T. & T. Co. in recent years has been as follows:

Year	Telephone Plant (Millions of Dollars)	Return
1929	3,671	6.6%
1930	4,043	5.3%
1931	4,195	5.1%
1932	4,189	3.9%
1933	4,237	3.7%

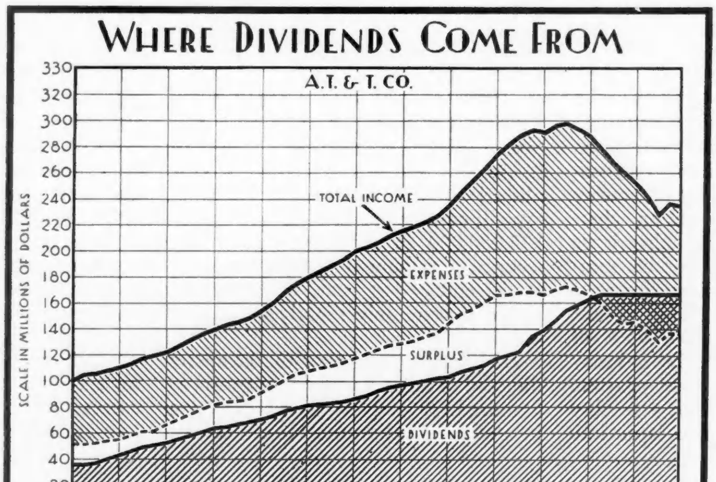
In the long run, much of what is now being imposed on the utilities would defeat its own end. The utilities are a favorite source for taxes because these taxes are collectible at once. Some of them have been passed directly to consumers, but the tendency lately is to forbid such transfer. The most injurious tax imposed lately is the repeal of the consolidated income tax returns, but this will not affect A. T. & T. Co. because it does not consolidate profits but reports only dividends received on stocks owned.

Neither would the drive on holding companies apply to the organization of American Telephone & Telegraph, which is an operating as well as a holding company and it is inconceivable that the American telephone system should be torn asunder in the vindictive attack on large corporations. As a holding company, A. T. & T. owns capital stock, bonds and notes of the associated Bell telephone companies throughout the United States, a minority interest is owned in the Canadian Bell and 50% of the Cuban System, in addition to which there is ownership of Western Electric Co. and other interests; as an operating company it owns and operates the long distance toll lines that serve to connect nearly every telephone in this country and practically all the telephones in the rest of the world can now be brought into connection. Assets comprise the securities of the associated Bell companies (85%) and long lines plant and equipment (15%). Bonds in the amount of 66 million dollars (Coll. Tr. Gold 5s, 1946) are secured by deposit of stocks of associated companies, all other funded debt obligations are unsecured and rest entirely on the credit of the parent concern.

Strong Financial Position

Dividends received comprise nearly one-half the total income of the holding company and for two years the associated companies have been paying more to the holding company than was earned. So far, this diversion of over 100 million dollars "up stream" has not seriously affected the financial condition of the Bell System companies as a whole but it has probably rendered some of them vulnerable. Needed capital expenditures would probably call for additional financing, burdening the individual company with more debt, which is incompatible with lower rates.

Rate attacks are actually confined to only a few states and the extreme diffusion of the Bell System throughout the entire land give to A. T. & T. geographical, industrial and political diversification that protect it from severe local disturbances.



At the present time it appears as though American Telephone & Telegraph has a certain immunity from the extreme effects of political actions. It is even doubtful whether NRA could make this powerful corporation comply with a code palpably designed to aid competitors. But economic pressure is likely to continue to create difficulties for the management and

(*Please turn to page* 214)

Sound Dividends Payers

Six Stocks Offering Attractive Current Yield with Prospect of Ultimate Appreciation

SELECTED BY THE MAGAZINE OF WALL STREET STAFF

Standard Oil Co., of Indiana

Earnings Per Share			
1932	1933	Recent Price	Div.
$1.04	$1.14	27	$1.00

LARGELY as the result of improved conditions in the last half of the year, most oil companies for 1933 were able to report a marked gain in earnings over 1932. The recovery in crude prices from levels so low at one time that they were less than the cost of production enabled the industry to avoid the acceptance of hugh inventory losses. The effect of these conditions on Standard Oil of Indiana, however, was not as pronounced as in the case of most other companies, due to the fact that the company's principal stake in the oil industry is in the refining and marketing divisions. In contrast with the unfavorable showing of the industry as a whole in 1932, Standard of Indiana reported a profit of $16,558,282 and net income last year totalled $17,674,351. In other words, the concentration of the company's activities in two major branches of the industry, rather than the complete integration characteristic of practically all other large companies, has given a desirable measure of stability to earnings during a period of particularly trying conditions. Moreover, with about 95% of the refining capacity of the industry committed to a co-operative program of control and regulation, the possibility of a sudden and unforseen lapse into chaos such as has been experienced in the past seems remote.

Rated as the largest refiner and marketer of petroleum products in the Middle West, Standard Oil of Indiana's record throughout the depression has been a creditable one. Not only has the company been able to operate at a profit in each of the years subsequent to 1929, but it has made rather remarkable progress in extinguishing long-term funded indebtedness. At the close of 1930, funded debt totalled $57,575,500, but by the close of 1933 this capital obligation had been reduced to $125,000. Nor has this been accomplished at the expense of working capital; current assets, including nearly $75,000,000 in cash and marketable securities, amounted to $224,326,391 at the end of last year, while current liabilities were only slightly more than $32,000,000.

About two years ago, the company disposed of all of its foreign interests to Standard Oil of New Jersey, receiving in return a substantial block of the latter's stock. At that time the company was purchasing about 80% of its total crude oil requirements, but in the interim active development work has increased producing facilities to a point where outside purchases have been reduced to about 60% of requirements. Another change effected in the company's set-up has been in the matter of retail service stations. Last year, 800 company-owned stations in the state of Indiana were disposed of to individuals in order to avoid burdensome chain store levies. The company, however, continues to supply petroleum products to these stations at wholesale.

Net income last year was equivalent to $1.14 a share on the 15,528,504 shares of capital stock, a moderate increase over per-share results in 1932, and sufficient to cover the annual dividend of $1 by a slight margin. It has been officially intimated that results in the first quarter were substantially better than in the corresponding period of 1933, and with the benefit of heavy seasonal consumption in the second quarter, these months should likewise improve upon last year. The company's shares, easily one of the better oil equities, offer a conservative medium for speculating upon the Government's success in restoring the oil industry to a stable—and profitable—basis.

Public Service Corp., of N. J.

Earnings Per Share			
1932	1933	Recent Price	Div.
$3.35	$3.00	36	$2.80

THE conditions and factors responsible for the apathetic attitude of the investing public toward public utility equities are discussed fully elsewhere in this issue. In the case of Public Service Corp. of N. J., therefore, it suffices to say that for the most part their effect has been psychological, rather than actually detrimental. Granted that the company will be compelled to meet a substantially larger tax bill this year, that costs have been increased by adherence to the N R A code, and that the city of Camden in its territory has voted to construct a municipal power plant, none of these conditions is likely to prove so serious that they could not be largely mitigated by rising revenues. Further, the company has been singularly free from agitation for lower rates, its properties are entirely intrastate and not subject to Federal regulation and, of course, it has nothing to fear from Muscle Shoals competition.

Earnings of Public Service, both gross and net, have held up quite satisfactorily throughout the depression and it was only in the years 1932 and 1933 that any appreciable decline was registered. The fact that the company's record has been better than that of many other utility properties is doubtless largely accounted for by the nature of the territory served. Activities are

concentrated in a compact area covering one-third of the state of New Jersey, which includes four-fifths of the total population. Services rendered embrace electric power and light, gas and transportation. The latter, which includes both bus and traction, however, is conducted at a loss. The sales of gas and electricity, on the other hand, showed a steady gain prior to 1932 and this trend should again be in evidence with the gradual return to more normal conditions.

Last year the company reported gross revenues of $116,672,436 as against about $126,000,000 in 1932, $137,000,000 in 1931 and $138,000,000 in 1930. The company has steadfastly adhered to a policy of making liberal allowances for maintenance and depreciation, these items averaging about 17% of gross revenues. As a consequence net income is conservatively reported. Fixed charges and subsidiary dividends are not a burdensome charge against earnings and during the past two years, the company retired an aggregate of about $32,650,000 of securities having a fixed charge against earnings. Last year, net income, after all charges, was equal to 22% of gross revenues—a very satisfactory ratio. After providing for preferred dividends, there was available for the common stock an amount equal to $3 a share on the 5,503,193 shares, comparing with $3.35 in 1932, $3.85 in 1931 and $4.01 in 1930. Financial position is exceptionally strong for a public utility organization; current assets, including more than $38,000,000 in cash items, amounting to $56,596,540, against current liabilities of slightly less than $6,000,000.

With an uninterrupted dividend record dating back to 1907, with the present rate of $2.80 apparently secure, and selling at a very reasonable ratio to earnings to return a generous yield, Public Service common shares should invite favorable consideration as a medium for current income and later price appreciation, when the temper of political thought has moderated.

National Sugar Refining Co.

Earnings Per Share			
1932	1933	Recent Price	Div.
$2.36	$2.33	35	$2.00

RECENT developments in the sugar industry promise to have a favorable effect upon the current earnings of domestic sugar refiners. Principally, these developments derive from the enactment of the Jones-Costigan bill. This bill limits the total amount of sugar that may be shipped to the United States this year to 6,452,000 short tons, raw sugar value, and imports of foreign refined sugar will be limited to 22% of the total quota fixed for Cuba, or somewhat less than recent volumes. In effect, the bill seeks to balance supplies with consumptive requirements and the probabilities are that moderately higher prices, exclusive of the processing tax provided for in the bill, will ensue.

As the second largest domestic sugar refiner, National Sugar Refining should derive tangible advantages from stabilized conditions in the industry. The company is credited with providing 14% of the total sugar requirements in the country and its products marketed under the familiar trademark "Jack Frost" have firmly established their market through the aggressive selling policies pursued by the management. Three refining plants, having an aggregate daily capacity of around 5,000 tons, are located in the vicinity of New York City, permitting comparatively low distribution costs in an important consuming center.

The sugar industry, despite the fact that sugar as an essential commodity has the benefit of sustained consumptive demand, is hardly to be characterized as a stable industry, due to the frequent fluctuations in the margin between raw sugar costs and the price of the refined product. Nevertheless, National Sugar has been able to show a very satisfactory record of earnings. For the period 1928-1933 inclusive earnings on the capital stock have averaged $3.79 a share annually. Each of these years were profitable ones, albeit the pattern of per-share results has been characteristic of that for all business through the depression. It is quite possible, however, that the low point of $2.33 a share last year will mark the end of the downward tendency, in view of the better outlook for business generally and the sugar industry specifically.

Capital structure of the company is simple, with only $2,534,400 funded debt ahead of the 579,100 shares of capital stock outstanding. Cash alone, at the end of 1933 was nearly equivalent to the funded indebtedness and current assets of $9,373,625 compared with current liabilities of only $1,148,715. Although the shares are not to be classed as having much in the way of dynamic possibilities, paying and earning a $2 dividend, they return a yield of 6% at current levels around 35 on the New York Curb, and qualify as an attractive medium for income.

Bristol-Myers Co.

Earnings Per Share			
1932	1933	Recent Price	Div.
$3.49	$3.07	34	$2.00 plus extras

UPON the segregation of the former Drug, Inc., Bristol-Myers Co. again became an independent organization. As such the company, prior to its absorption into the fold of Drug, Inc., had given a very satisfactory account of itself. The activities of Bristol-Myers are concerned principally with the manufacture of various medicinal preparations and cosmetics for home use. Some measure of the company's relative standing in the drug industry is gathered from the prominence enjoyed by its various products. These include Ipana toothpaste, Sal Hepatica, Vitalis hair tonic, Ingram's shaving cream, Ingram's Milkweed Cream, and Gastrogen tablets, and "Mum," a deodorant, manufactured by a wholly-owned subsidiary. All of these products are nationally advertised and are sold throughout the United States and more than fifty foreign countries.

In each of the past four years the company has been able to show earnings on its capital stock in excess of $3 a share, the high point having been achieved in 1931 when profits were equivalent to $3.69 per share. Last year sales declined about 16%. In the face of the general business difficulties which prevailed during the greater part of 1933, it is hardly to be concluded that the lower sales volume was due to any loss of competitive advantage—although it is not to be denied that competition among manufacturers of popular priced drug products is very keen. After including "other income" of $170,261, net profit totalled $2,156,-

151 as compared with $2,447,130 in 1932. Applied to the 700,280 shares of capital stock, profits in these two years were equal to $3.07 and $3.49 per share respectively. Profits in the initial quarter of the current year underwent an encouraging gain and the shares earned 95 cents each, 10 cents more per share than in the same months of 1933. On this basis, earnings for the twelve months period to March 31, last, were equal to $3.18 a share.

Since the dissolution of Drug, Inc., directors of Bristol-Myers have followed a policy of paying regular quarterly dividends of 50 cents a share plus extras of 10 cents. Three such dividends have been declared and for all practical purposes the stock may be regarded as being on a $2.40 dividend basis—particularly as both earnings and financial position would easily support this rate. Current assets of $4,801,274 at the end of last year, compared with current liabilities of less than $650,000 and cash amounted to $2,267,338. At current levels around 34, therefore, the shares would appear undervalued both in relation to earnings and dividend expectancy. Even should the shares pay only the regular rate of $2, the yield would amount to 6%, while on the basis of $2.40, the annual return would be more than 7%. At this writing, it does not appear probable that the Copeland Drug Bill will be enacted at the present session of Congress, and once this has become a certainty, the shares of Bristol-Myers should sell at higher levels. In the opposite contingency, however, it is to be doubted that the sales of any of the company's products would be adversely affected by foresighted administration of proposed regulatory measures.

Bangor & Aroostook R. R.

Earnings Per Share			
1932	1933	Recent Price	Div.
$3.22	$5.29	43	$2.50

THERE are very few railroads which can match the record of Bangor & Aroostook. Contrasting with the experience of many roads which have been hard pressed to earn charges on their funded debt, Bangor & Aroostook has been able not only to provide a wide margin for fixed charges but has paid dividends on its stock at the rate of $2 annually since 1932—and early this year this rate was advanced to $2.50.

Operating about 615 miles of lines serving the northern and eastern sections of Maine, the road is to a considerable degree dependent upon the value and movement of the potato crop in its territory. Despite the fact that the fortunes of the road are largely influenced by a single commodity, earnings have singularly shown a pronounced measure of stability, a condition doubtless attributable to the absence of any marked variation in the consumption of potatoes. While the value of the crop, and by the same token the movement of freight over the road's lines, is subject to the same conditions effective in other farm products, the evidence offered by the road's earnings record during a period of unparalelled business depression would seem to clearly indicate that the effect of these conditions in the case of potatoes, and Bangor & Aroostook specifically, has been considerably modified. Last year the road earned $5.29 a share on its stock and in 1932 and 1931 per share earnings amounted to $3.22 and $2.68 respectively. Obviously, the present dividend of $2.50 is a conservative portion of average earnings.

Last year the road reported total operating revenues of $5,805,511, compared with $5,911,878 the year before. Despite the moderate decline in revenues, net operating income of $1,741,500 was about $300,000 ahead of 1932 due to a reduction of more than 10% in operating costs. The operating ratio, that is to say the ratio of costs to revenues, was 60.74%, the lowest for the road since 1910. Improvements in road bed and tracks made in recent years have enabled the use of heavier locomotives, making possible the elimination of lighter rolling stock and a reduction in maintenance and repairs. Operating ratio was further aided by the abandonment of service on several unprofitable branches.

Since 1926, Bangor & Aroostook has reduced funded debt to the extent of nearly $5,000,000 and total charges on remaining debt are easily supportable. In no year during the past six has the coverage for fixed charges been less than 1.76 times. Next year the road will be faced with a $2,296,000 maturity but in view of its high credit standing this obligation will doubtless be refinanced without difficulty. The shares, of which there are 141,792 outstanding, are currently selling on a basis to give a yield of about 6% and, in addition to being a conservative vehicle for income, the reasonable ratio of quotations to earnings suggests the possibility of satisfactory price enhancement.

Mathieson Alkali Works, Inc.

Earnings Per Share			
1932	1933	Recent Price	Div.
$0.86	$1.70	31	$1.50

MATHIESON Alkali is a leading producer of caustic soda, soda ash and chlorine. These products are used in the manufacture of bottles, plate glass, textiles, soap, petroleum refining, rayon, paper, and a variety of chemicals. Despite the fact that for the most part the company relies upon industries which have been severaly depressed, operations were maintained upon a profitable basis; regular dividends were paid on the preferred stock; and only a moderate reduction—from $2 to $1.50—was made in common dividends. The record of the company is more or less typical of that of the entire chemical industry through the depression years.

Early this year, the company sold 207,761 shares of common stock at $30 a share, thereby gaining the distinction of being the first major enterprise to undertake the expansion of plant facilities, after a long lapse in this type of financing. Mathieson plans to spend about $7,500,000 in the construction of a new plant at Lake Charles, La., which will add substantially to its productive facilities and while the increased stock outstanding will dilute per-share earnings, it seems safe to conclude, on the strength of the company's depression record, that the investment in larger plant facilities will be amply justified.

Beginning with April of last year earnings of Mathieson Alkali turned for the better and for the full year the company registered a gain of 30% in tonnage sales. The gain in net earnings, however, was even more pronounced, amounting to nearly 100% on the common stock. Applied to the

(*Please turn to page* 219)

Taking the Pulse of Business

—Steel Resists Decline

—Tin Consumption Slackens

—Gasoline Prices Advance

—Overproduction in Textiles

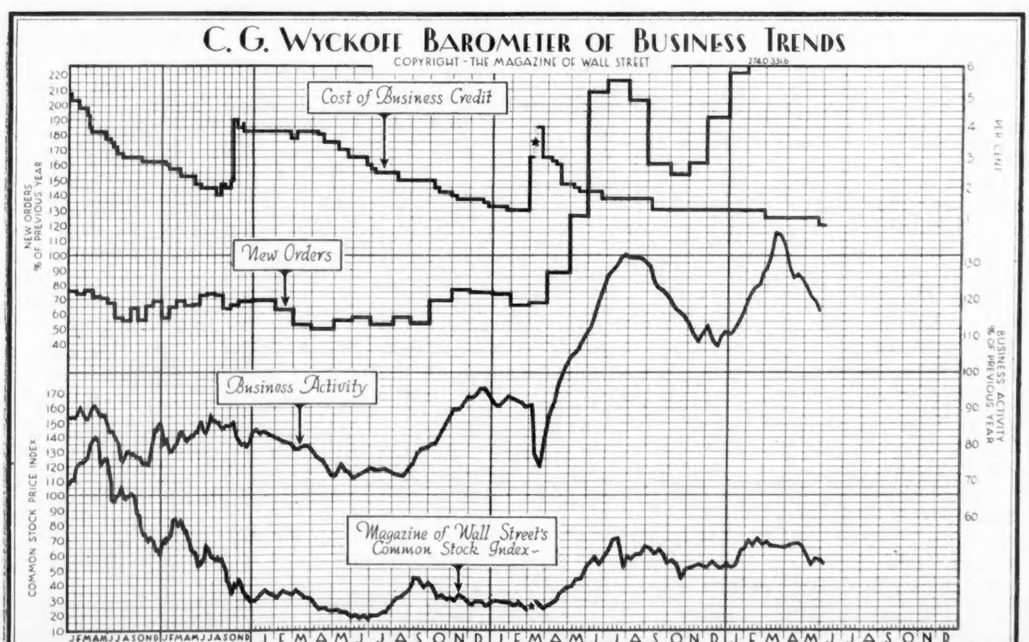
—Increased Tobacco Consumption

IN view of the almost revolutionary character of legislation which is being enacted at the present session of Congress it is scarcely surprising that the physical volume of production, distribution and trade should have continued to slacken since our last issue, and that the Common Stock Index should have been no more than barely able to hold its own. On the other hand, high grade bonds, especially Governments, have displayed further moderate strength in response to a recent drop in the Cost of Business Credit to another all-time low record. Although wheat and other cereals have advanced sharply during the past fortnight, there has been an abrupt drop in our Raw Material Price index in consequence of the swift advance in prices which took place a year ago at this time.

While the drop in Business Activity since March has been exceedingly precipitate as measured by our index, which compares conditions now with those obtaining a year ago, the actual recession has thus far been only a little more than seasonal. In terms of normal, the volume of business has slipped back to 78.4%, from the recovery high of 81.3% (revised) reached during the first week of May. Even this small decline is by no means general, being confined largely to the automobile, steel and textile industries, where labor trouble and temporary over-production have been causative factors.

Judging from incomplete returns thus far received, and in view of the marked decline in the ratio of current business activity to that of a year ago, it seems quite likely that the next point on our New Order graph will reveal an abrupt drop in the volume of business booked by the heavy industries, though the actual dollar total of incoming orders is still more than twice the aggregate of a year ago. Cash income from farm marketings and benefits received during the month of April is estimated at $388,000,000 compared with $311,000,000 for April of 1933. It is thus quite in line with this rise in income that general merchandise sales in rural areas during April were 20.5% ahead of the corresponding month last year. Department store sales for the first half of May showed about the same percentage of increase in dollar totals over a year ago as was reported for April; though unofficial reports from chain store organizations indicate that business for the second ten days of May did not hold up so well as during the first ten days. The dollar volume of wholesale business in April was about 28% heavier than in April of 1933. The fact that wholesale trade continues persistently to make a better showing than the published statistics on retail trade, would suggest that the apparent falling off in the physical volume of sales at retail may be explained by a considerable loss of business by chain organizations to the smaller independent stores whose sales are not reported; since any real drop in unit sales does not seem compatible with the circumstance that wages have risen at about the same rate as the cost of living, while total payrolls have expanded notably in a year.

In fact, according to THE MAGAZINE OF WALL STREET'S



indexes, payrolls in April, on an annual basis were 7.2 billions (or 30%) larger than a year earlier, while employment throughout the country was up 4.6 millions, or 17%. Comparing employment gains in April over March it appears that, while the aggregate increase for all industries amounted to less than 2%, gains of 10% or over were reported in agricultural implements, aircraft, locomotives; brick, tile and terra cotta; cement, beet sugar, fertilizers, dyeing and cleaning, quarrying and building construction. Decreases of over 10% in employment were reported in anthracite mining and in cottonseed products.

The Trend of Major Industries

STEEL—Despite a rather sharp drop in demand from the automobile industry, which appears to have passed its seasonal peak, there has been a moderate improvement in the steel operating rate which has advanced 1 point to 59% of capacity as compared with the year's high of 60%. Activity is still fairly well sustained by the heavy demand for tin plate and by steadily incoming orders for structural and railroad steel. It is still hoped that the strike scheduled for June 16 may be averted; but, if not, many steel mills would not be averse to closing down in order to afford the opportunity for surplus inventories to be worked off. The general opinion seems to be that a strike in the industry at this time would not greatly diminish the year's consumption of steel products, and might assist in maintaining the new price schedule.

METALS—Opinions differ as to the ultimate effect of the recently enacted silver purchase act, though the Treasury Department insists that, if silver is purchased in any such quantities as contemplated in the statute, prices for the white metal are sure to advance gradually. Obviously the Government will endeavor to acquire silver as cheaply as possible in order to realize the maximum profit from silver certificates to be issued against the bullion. Visible stocks of the principal non-ferous metals, except lead, continued to shrink moderately in March; but a tendency for consumption to slacken slightly has prevented further price advances. World consumption of tin for March was only 11% greater than last year, as compared with a 29% increase for the 12 months ended March 31.

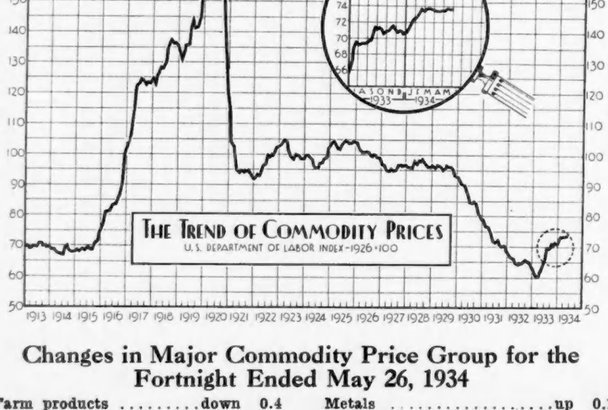
PETROLEUM—The chief developments in the oil industry since our last issue have been further price advances in gasoline, and a reversal in the Federal Circuit Court of Appeals in Louisiana of the East Texas oil decision which had tied the hands of the Petroleum Administration Board in its attempts to enforce the Oil Code. Administrator Ickes, is again hot on the trail of the "hot oil" bootleggers. Allowable production of gasoline for June has been set at 828,000 barrels less than the 35,428,000 barrels produced in June of 1933. Meanwhile Secretary Ickes' oil enforcement bill has been reported out of Committee and, if pushed by President Roosevelt, may be ratified at the present session of Congress.

TEXTILES—The cotton spinning industry operated at 104.5% of single shift capacity in April, compared with 102.9% in March and 95.7% in April, 1933. April production, however, was 62.5% in excess of current demand and unsold stocks of cotton goods at the end of April had mounted to slightly over a four weeks' supply. The Code Authority has therefore ruled that beginning with June 4, the country's cotton mills (with certain specified exceptions) must operate for twelve weeks at only 75% of single shift capacity. Employees have met this order with a threat to go out on strike, if the operating rate is actually reduced. As in the steel industry, a complete shut down might be welcomed by the majority of mills. A similar overstocking is noted in the rayon industry, where prices have recently been cut to a point which is only slightly, if any, above present costs, which are 20% to 30% higher than a year ago.

TOBACCO—Cigarette production in March was over a million greater than in March last year. Cigars, snuff, and other manufactured tobacco products also registered large increases. Farm income from tobacco growing, during the 1933-4 crop year is placed at $214,000,000, including benefit payments of $28,000,000. This total is over 100% greater than last year's proceeds from sales of the crop. Fearing that higher prices may curtail consumption, growers have petitioned Congress to authorize a 40% reduction in the tax on cigarettes, with the understanding that manufactures will pass the saving along to consumers. Manufacturers have agreed to this.

Conclusion

Although raw material prices and the physical volume of business continue to make less and less favorable comparisons with a year ago when both were gaining at an exceptionally rapid pace, there has as yet been no very great actual recession in either from the high points thus far achieved on the recovery. High grade bonds remain firm under the sustaining influence of an ever receding Cost of Business Credit, and the Common Stock Index has shown evidence of stabilizing during the past fortnight. Such resistance to the depressing effects of legislation under consideration by Congress, and the many strikes and threats of strikes, seems to bear testimony to the inherent soundness of the foundation upon which recovery has been developing, and points to resumption of improvement after some of the more important obstacles can be removed.

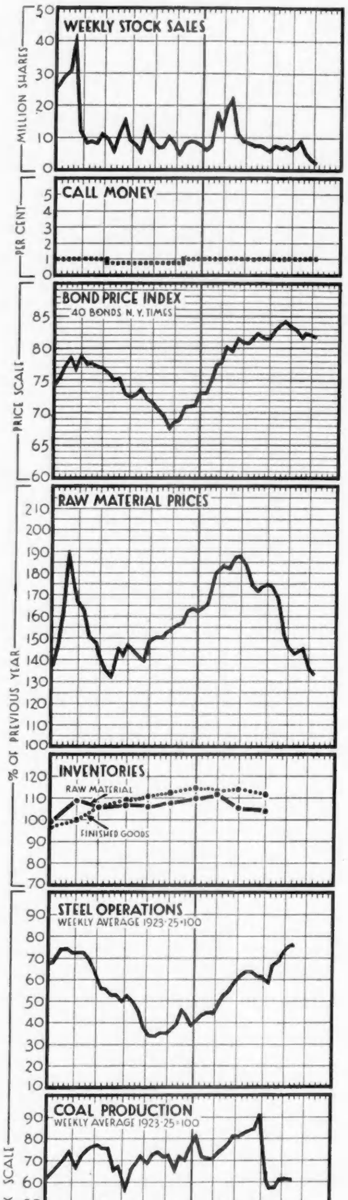


Changes in Major Commodity Price Group for the Fortnight Ended May 26, 1934

Farm products	down	0.4	Metals	up	0.1
Foods	up	0.1	Building materials	up	0.2
Hides and leather	up	1.3	Chemicals	no change	
Textiles	down	0.4	Housefurnishings	up	0.9
Fuel and lighting	down	0.4	Miscellaneous	down	0.4

The Magazine of Wall Street's Indicators

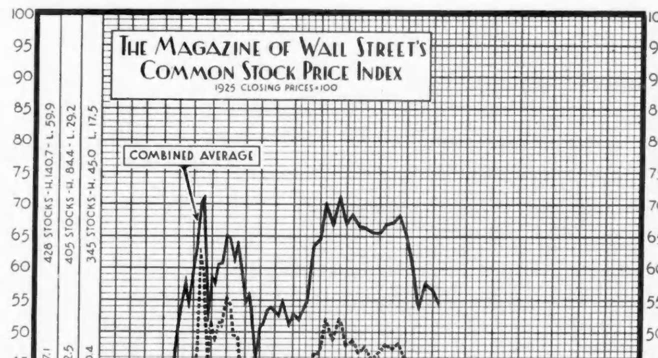
Business Indexes



Common Stock Price Index

1933 Indexes High	1933 Indexes Low	1933 Indexes Close	Number of Issues	COMBINED AVERAGE (1925 Close—100)	1934 Indexes High	1934 Indexes Low	May 19	May 26	June 2
71.3	22.7	52.9	312		71.2	51.9	57.7	56.8	54.3
116.0	26.8	68.6	5	Agricultural Implements	105.7	59.5	66.1	64.1	59.5x
37.8	7.3	27.1	5	Amusements	42.3	24.7	33.9	34.1	32.2
50.9	12.4	41.3	14	Automobile Accessories	58.9	39.6	46.7	45.3	43.9
22.7	7.3	18.0	13	Automobiles	24.9	16.8	18.1	17.6	16.8x
102.9	41.8	61.6	5	Aviation (1927 Cl.-100)	92.5	59.4	68.0	67.9	62.5
26.5	5.1	12.2	4	Baking (1926 Cl.-100)	17.4	12.0	12.8	12.6	12.0
157.5	79.9	145.6	2	Biscuit	150.0	122.3	125.2	122.3x	123.2
357.1	86.8	207.0	3	Bot. & Cks. ('32 Cl.-100)	240.9	186.7	197.0	194.6	188.7
128.8	39.8	107.6	5	Business Machines	136.0	102.0	110.5	109.6	105.3
191.1	92.9	189.1	2	Cans	204.3	178.9	184.5	185.0	178.9x
238.2	71.5	193.6	8	Chemicals	210.5	153.4	161.1	160.5	153.4x
34.8	11.3	28.0	16	Construction	37.2	26.0	28.7	27.9	26.2
81.0	20.3	54.9	6	Copper	70.1	51.0	59.3	55.9	51.0x
47.7	23.0	25.7	2	Dairy Products	34.7	25.7	32.6	33.2	32.4
27.3	6.6	19.6	8	Department Stores	26.8	19.3	20.9	20.5	19.6
89.0	45.3	57.0	9	Drugs & Toilet Articles	84.2	57.0	73.4	72.2	70.0
104.0	35.6	75.4	4	Electric Apparatus	91.3	67.1	71.1	71.8	68.7
104.6	33.2	103.8	2	Finance Companies	178.3	103.8	149.9	147.0	140.5
75.2	32.6	52.0	5	Food Brands	64.0	51.1	59.6	59.0	56.5
77.5	40.5	58.6	4	Food Stores	71.1	57.2	61.2	62.0	60.2
1365.0	481.2	1180.8	3	Gold Mining	1325.0	1115.0	1189.0	1217.0	1209.0
30.3	10.5	26.0	5	Household Equipment	35.1	25.1	31.2	31.5	30.4
38.0	14.5	23.1	6	Investment Trusts	31.8	22.2	24.1	23.9	23.1
360.0	85.0	244.6	2	Liquor (1932 Cl.-100)	295.5	217.0	230.0	232.4	218.4
47.4	13.5	39.4	2	Mail Order	53.4	37.7	41.9	41.4	38.5
120.3	21.9	57.2	3	Meat Packing	88.6	57.2	67.1	70.2	66.9
136.4	30.1	132.6	11	Metal Mining & Smelting	160.1	126.6	144.2	140.7	133.2
83.4	29.3	66.0	25	Petroleum	86.8	61.9	70.8	65.4	63.7
30.2	6.7	15.3	3	Phonos. & Radio (1927-100)	25.0	15.2	23.8	23.2	21.3
104.0	40.8	49.0	20	Public Utilities	72.8	47.2	54.6	54.5	52.3
69.4	17.7	53.4	8	Railroad Equipment	66.2	46.5	51.1	50.0	46.5x
63.0	16.3	34.5	30	Railroads	52.0	34.0	39.1	38.3	36.5
44.3	6.2	30.0	3	Shipbuilding	50.2	29.4	41.7	41.2	38.0
148.6	57.8	126.7	2	Soft Drinks (1926 Cl.-100)	150.3	114.0	136.6	135.2	130.5
69.1	19.1	51.8	11	Steel & Iron	77.0	48.2	54.2	51.1	48.2x
29.5	7.3	21.3	5	Sugar	30.8	20.5	26.7	26.5	24.5
216.5	79.3	200.8	2	Sulphur	214.0	162.1	173.2	175.2	169.0
82.3	28.1	61.4	3	Telephone & Telegraph	70.3	52.3	55.8	56.1	53.2
82.2	22.5	49.1	8	Textiles	65.8	47.5	51.1	50.3	48.4
15.1	3.0	11.0	5	Tires & Rubber	14.6	10.4	11.6	11.2	10.7
90.2	46.2	69.4	4	Tobacco	77.6	66.5	73.7	74.8	73.2
57.2	22.3	57.2	3	Traction	57.2	43.7	49.6	48.8	48.0
52.9	23.3	43.6	3	Variety Stores	117.1	43.6	95.0	92.7	86.8

x—New LOW this year.



(An unweighted index of weekly closing prices; compensated for stock dividends, splitups, and rights, and covering about 90% of the volume of transactions in all Common Stocks listed on the New York Stock Exchange.)

PERSONAL SERVICE SECTION

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1. Give all necessary facts, but be brief.
2. Confine your request to *three listed securities.*
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LOOSE-WILES BISCUIT CO.

I am well pleased with nearly 20 points profit on Loose-Wiles common I bought on your recommendation two years ago. I am interested in this stock as an investment, and I will appreciate your current views on this company's earnings and outlook. Shall I continue to hold?—I. J. J., Detroit, Mich.

As was to be expected, sales and earnings of Loose-Wiles Biscuit Co. have steadily increased during the past year in line with improved employment and family budget conditions. Further extensions along these lines should be reflected in a larger sales volume, particularly in the more expensive and greater profit yielding products. In the quarter ended March 31, last, net income was $412,096, equivalent to 67 cents a common share, as compared with $365,097, or 58 cents a share in the first quarter of last year. For the full year 1933, net profits were $1,679,842, or $2.74 a share, against $1,322,982, or $2.04 a share in 1932. Current assets as at December 31, 1933, including $2,210,223 cash and marketable securities, amounted to $7,627,204 and current liabilities were $1,144,309. While a year ago some apprehension was felt about the safety of the common dividend, it is apparent that the $2 rate is currently assured. In fact, it would not be surprising if "extras" were again paid, should earnings improvement continue. All mortgage indebtedness was retired in 1932, and capitalization now consists of 35,419 shares of $7 preferred stock and 522,600 shares of common stock. Loose-Wiles produces some 350 varieties of crackers and biscuits sold under the well known "Sunshine" trademark. The company now serves the entire United States, distributing its products through agencies in more than 100 principal cities. While there is considerable competition in the field, the company occupies a strong trade position, is adequately financed for all purposes and is well situated to obtain its share of available business. For these reasons, we think you should continue to hold your stock for its further price appreciation possibilities.

SHELL UNION OIL CORP.

What do you think of Shell Union Oil common as a low-priced opportunity, for speculative rather than investment participation in the oil industry? Do you think it over-priced at current levels? Would you suggest buying now?—R. E. S., New York, N. Y.

Reflecting the more favorable operating conditions in the oil industry, the latest earnings report of Shell Union Oil Corp. is most interesting. In the three months ended March 31, last, there was only a net loss after all charges of $41,091, contrasting sharply with the deficit of $9,239,550 in the first quarter of last year. Not included in either year were the profits from the repurchase of the company's bonds at depressed prices. Because of better results in the last half of 1933, the net loss for the full year was reduced to $5,250,290, against $4,288,496 loss in 1932. However, the profit on bond repurchases approximated $1,000,000 last year and $5,000,000 in the previous year. In 1933, $11,505,000 of debentures were retired and $26,299,000 were redeemed in 1932. Since funded debt stood at only $79,636,500 at the year-end as compared with $126,334,500 in 1929, it is apparent that considerable saving in annual interest charges has been effected. The company is now permitted to purchase and retire shares of the 5½% cumulative preferred stock, on which dividends have been in arrears since July 1, 1931. All reductions in debt and preferred shares outstanding will improve the position of the common stock and bring it that much closer to earnings. Despite large expenditures for bond purchases, the cash and current position of the company has continued strong. As at the year-end, current assets totalled $78,399,163 against current liabilities of $21,615,112. On March 31, cash and marketable securities amounted to $30,162,711 compared with $28,483,837 on December 31, and $23,806,177 on March 31, a year ago. Shell Union has always pursued a very conservative policy with respect to depreciation and depletion write-offs,

(Please turn to page 209)

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New York Stock Exchange

Rails

	1932		1933		1934		Last	Div'd
	High	Low	High	Low	High	Low	Sale 5/29/34	$ Per Share
A								
Atchison	94	17⅞	80⅛	34⅝	73¾	51½	55⅞	..
Atlantic Coast Line	44	9¾	59	16½	54¼	34¼	40½	..
B								
Baltimore & Ohio	21⅜	3¾	37⅞	8¼	34½	21	23⅝	..
Bangor & Aroostook	35¾	9½	41¾	20	46⅛	39½	44	2½
Brooklyn-Manhattan Transit	50¼	11⅛	41¼	21¾	40¼	28¼	38⅞	..
C								
Canadian Pacific	20⅝	7¼	20⅞	7½	18¼	12¾	15¾	..
Chesapeake & Ohio	31½	9¾	49¼	24⅝	47⅞	39½	46⅛	2.80
C. M. & St. Paul & Pacific	4½	¾	11¾	1	8½	4¼	5	..
Chicago & Northwestern	14½	2	16	1¼	15	6⅝	9¾	..
Chicago, Rock Is. & Pacific	16⅜	1½	10⅛	2	6¼	2¾	3¼	..
D								
Delaware & Hudson	92½	32	93¾	37⅝	73½	49¼	53	..
Delaware, Lack. & Western	45⅞	8½	46	17¼	33¾	20⅛	23	..
E								
Erie R. R.	11¾	2	25¾	3¾	24⅞	13⅞	19⅝	..
G								
Great Northern Pfd.	25	5½	33¾	4⅝	32½	18	21	..
H								
Hudson & Manhattan	30¾	8	19	6½	12⅛	7	7	..
I								
Illinois Central	24⅞	4¾	50¾	8½	38⅞	22	25	..
Interborough Rapid Transit	14⅝	2¼	13¾	4⅛	13¾	7	8⅛	..
L								
Lehigh Valley	29¼	5	27¾	8⅝	21¼	12⅝	15½	..
Louisville & Nashville	38¼	7½	67½	21¼	62½	48¼	17¼	1½
M								
Mo., Kansas & Texas	13	1¼	17⅛	5¾	14⅞	7½	9½	..
Missouri Pacific	11	1½	10¼	1⅛	6	3	4⅜	..
N								
New York Central	36⅝	8¾	58½	14	45¼	25⅜	28¾	..
N. Y., Chic. & St. Louis	9¾	1½	27⅝	2⅛	26⅞	15	19	..
N. Y., N. H. & Hartford	31⅝	6	34⅞	11⅛	24⅛	13⅜	15¼	..
Northern Pacific	25⅜	5½	34⅞	9⅝	36¼	21⅛	25½	..
P								
Pennsylvania	23⅜	6½	42¼	13¾	39⅛	28¼	30⅛	.50
Pere Marquette	18	1¾	37	3⅞	38	16½	27¾	..
R								
Reading	52¼	9½	62½	23½	56⅜	43	46⅛	1
S								
St. Louis-San Fran.	6⅝	⅝	9	⅞	4⅝	2⅜	3	..
Southern Pacific	37⅝	6½	38¾	11⅛	33¾	18½	22½	..
Southern Railway	18½	2½	36	4⅛	36½	21⅞	25⅛	..
U								
Union Pacific	94½	27⅝	132	61¼	133⅞	110½	123½	6
W								
Western Maryland	11⅜	1½	16	4	17¼	8¾	11¾	..
Western Pacific	4¾	½	9½	1	8½	2¾	5¾	..

Industrials and Miscellaneous

	1932		1933		1934		Last	Div'd
	High	Low	High	Low	High	Low	Sale 5/29/34	$ Per Share
A								
Adams Express	9½	1⅝	13¼	3	11⅞	6⅝	8	..
Air Reduction, Inc	63½	30⅞	112	47½	106¼	93¼	94	3
Alaska Juneau	16⅝	7¾	33	11⅛	23⅞	17⅜	19⅝	*90
Alleghany Corp	3⅝	⅜	8¼	⅞	5¼	2½	2⅞	..
Allied Chemical & Dye	88¼	42½	152	70¾	160¾	126½	134	6
Allis Chalmers Mfg	15⅜	4	26¾	6	23⅜	13¾	16¼	..
Amer. Brake Shoe & Fdy	17⅞	6½	42½	9⅛	38	23¾	27	.80
American Can	73⅞	29⅝	100½	49½	107¾	90¼	94⅞	4
Amer. Car & Fdy	17	3⅛	39¾	6⅛	33⅞	19⅛	21¼	..
Amer. Com'l Alcohol	27	11	89⅞	13	62½	33	34⅝	..
American & Foreign Power	15	2	19⅝	3⅞	13¾	7	8⅛	..
Amer. International Corp	12	2½	15⅛	4¼	11	6½	8⅝	..
Amer. Mach. & Fdry	22¼	7½	22⅜	8¾	19¾	13	14⅝	.80
Amer. Power & Light	17¼	3	19⅞	4	12¼	5⅞	7¼	..
Amer. Radiator & S. S.	12¼	3⅛	19	4⅝	17⅝	12	13½	..
Amer. Rolling Mill	18½	3	31⅞	5¾	28¼	16⅜	18½	..
Amer. Smelting & Refining	27¼	5⅛	53½	10¾	51¼	35¾	39	..
Amer. Steel Foundries	15⅛	3	27	4⅝	26½	15	16	..
Amer. Sugar Refining	39¼	13	74	21½	61	46	57	2
Amer. Tel. & Tel.	137⅜	70¼	134¾	86½	125¼	107¾	114½	9
Amer. Tobacco Com	86¾	40½	90½	49	82⅜	65¼	69¼	5
Amer. Tob. B	89¾	44	94¾	50¾	84½	67	71¼	5
Amer. Water Works & Elec	34½	11	43¼	10⅞	27⅝	16⅜	19	1
Amer. Woolen	10	1⅝	17	3½	17⅛	8½	11	..
do Pfd.	39⅞	15½	67½	22⅝	83¾	58	61⅛	§1¼
Anaconda Copper Mining	19⅜	3	22⅞	5	17¾	13	14⅜	..
Armour Ill. A	2¾	⅝	7¾	1⅛	8	4¼	6¼	..
do B	2	⅜	5	¾	3⅞	2¼	3	..
Atlantic Refining	21⅞	8⅝	32½	12⅜	35¼	21¾	25¼	1
Auburn Auto	151¾	28¾	84¼	31	57⅜	31¼	35¼	2
Aviation Corp. Del	8⅞	1½	16⅜	5½	10¾	5⅜	7⅛	..
B								
Baldwin Loco. Works	12	2	17⅝	3½	16	9⅞	11	..
Barnsdall Corp.	7	3⅜	11	3	10	7	7⅞	..
Beatrice Creamery	43½	10½	27	7	18¾	10⅜	16	..

Price Range of Active Stocks

Industrials and Miscellaneous *(Continued)*

	1932 High	1932 Low	1933 High	1933 Low	1934 High	1934 Low	Last Sale 5/29/34	Div'd $ Per Share
B								
Bendix Aviation	18¾	4½	21¼	6⅛	23⅞	13⅝	15¼	..
Bethlehem Steel Corp	29⅝	7¼	49¼	10⅛	49½	31¾	33½	..
Bohn Aluminum	22¼	4⅞	58½	9½	68¾	49⅝	54¼	3
Borden Company	43⅛	20	37⅜	18	27½	19⅞	24¾	1.60
Borg Warner	14¼	3⅜	22¼	5½	28⅝	20⅝	22¾	1
Briggs Mfg.	11¾	2⅞	14⅝	2⅝	19⅜	12	17	.50
Burroughs Adding Machine	13¼	6¼	20⅞	6⅛	19⅜	12⅛	13½	.40
Byers & Co. (A. M.)	24⅝	7	43¼	8½	32¾	19	21	..
C								
Canada Dry Ginger Ale	15	6	41¼	7½	29½	21	22¼	1
Case, J. L.	65¾	16¾	103½	30½	86¾	46	52½	..
Caterpillar Tractor	15	4⅜	29¾	5½	33⅜	23½	27¼	.50
Celanese Corp	12⅝	1¼	58⅞	4½	44⅞	23⅝	25	..
Cerro de Pasco Copper	15½	3½	44¾	5⅞	40¼	30¼	34½	.50
Chesapeake Corp	20¾	4⅞	52½	14⅞	48⅞	34	43½	2½
Chrysler Corp	21¾	5	57⅝	7¾	60⅜	36½	40⅜	*1¼
Coca-Cola Co	120	68½	105	73½	127	95¼	123⅝	6
Colgate-Palmolive-Peet	31½	10¼	22⅜	7	18⅛	9⅜	14	..
Columbian Carbon	41⅞	13½	71¼	23⅛	77¼	58	67¼	3
Colum. Gas & Elec	21	4¼	28⅛	9	19¼	11⅛	13	§.50
Commercial Credit	11	3⅞	19¼	4	35⅛	18⅝	27½	1
Comm. Inv. Trust	27⅞	10⅞	43½	18	59¾	35¾	51	2
Commercial Solvents	13¾	3½	57¼	9	36¾	19¾	23	.60
Commonwealth & Southern	5⅛	1⅝	6⅛	1¼	3¾	1¾	2⅛	..
Congoleum-Nairn	12¼	6½	27⅝	7⅜	31¼	23	26½	1.30
Consolidated Gas of N. Y.	68¾	31½	64⅛	34	47⅜	31⅝	32¾	2
Consol. Oil	9	4	15¾	5	14¼	9½	10¾	.28
Continental Baking Cl. A	8	2⅞	18¼	3	14⅝	7	8¾	..
Continental Can, Inc.	41	17⅝	78⅜	35¼	83¼	69½	75	3
Continental Insurance	25¼	6¾	36½	10½	35½	23⅜	30⅜	1.20
Continental Oil	9⅜	3⅝	19⅝	4⅞	22¾	16½	20	.25
Corn Products Refining	55⅜	24¾	90⅝	45⅜	84½	60½	68¼	3
Crown Cork & Seal	23⅞	7⅞	65	14¼	36¼	24¼	27	..
Cudahy Packing	35½	20	59½	20¾	50¾	37	43	2½
Curtis Wright, Common	3¼	⅞	4⅜	1½	5¼	2½	3⅝	..
D								
Diamond Match	19⅛	12	29½	17½	28½	21¾	23¾	1
Dome Mines	12⅞	7½	39½	12	40⅞	32	39	*3½
Dominion Stores	18½	11¼	26⅜	10½	23	19	20⅞	1.20
Douglas Aircraft	18⅝	5	18¼	10¼	28½	14¼	20½	..
Du Pont de Nemours	59¾	22	96⅜	32⅛	103⅞	80	85½	2.60
E								
Eastman Kodak Co	87⅞	35¼	89¾	46	96½	79	96⅛	4
Electric Auto Lite	32¾	8½	27½	10	31⅜	18⅛	21⅜	..
Elec. Power & Light	16	2¾	15⅜	3⅛	9⅝	4½	5⅞	..
Electric Storage Battery	33¼	12⅝	54	21	52	40⅝	42	2
F								
Firestone Tire & Rubber	18⅞	10½	31½	9⅛	25¼	17	17⅝	.40
First National Stores	54½	35	70¾	43	67½	54¼	65⅜	2½
Fox Film. Cl. A	5⅞	1	19	12	17½	12¼	14⅝	..
Freeport Texas Co	28⅝	10	49⅜	16⅛	50⅜	35	40	2
G								
General Amer. Transpt	35¾	9½	43¼	13¾	43⅝	33⅛	36¼	1
General Asphalt	15½	4¾	27	4⅝	23½	15⅛	18½	..
General Baking	19⅝	10½	20⅞	10½	14⅜	9¾	10¼	1
General Electric	26⅛	8½	30¼	10½	25¼	18½	20⅛	.60
General Foods	40½	19⅝	39⅞	21	36⅞	31⅜	32½	1.80
General Mills	48½	28	71	35½	64½	53⅞	56	3
General Motors Corp	24⅝	7⅝	35¾	10	42	29⅞	32¾	1
General Railway Signal	28⅝	6⅛	49½	13¼	45¾	31¼	33	1
General Refractories	15⅜	1¾	19¾	2½	19½	12¼	14¾	..
Gillette Safety Razor	24¼	10⅜	20¼	7⅝	12½	8½	11	1
Glidden Co	10⅜	3⅛	20	3¾	28⅜	13⅝	25⅞	1
Gold Dust Corp	20⅝	8¼	27⅜	12	23	16¾	19½	1.20
Goodrich Co. (B. F.)	12⅜	2¼	21½	3	18	12¼	13¾	..
Goodyear Tire & Rubber	29¾	5½	47½	9¼	41⅜	26⅛	28¾	..
Great Western Sugar	12	3¼	41⅞	7	34⅞	25	29¾	2.40
H								
Hershey Chocolate	83	43½	72	35⅛	64⅞	48½	60⅛	3
Houston Oil of Texas (New)	5⅜	1⅝	7⅜	1⅞	5⅝	3¼	4	..
Hudson Motor Car	11¾	2⅞	16⅜	3	24½	12⅛	13¼	..
Hupp Motor Car	5⅜	1½	7¾	1⅝	7¼	3⅛	3¾	..
I								
Ingersoll-Rand	44⅞	14¾	78	19⅛	73¾	50	54	1½
Inter. Business Machines	117	52½	153¼	75¾	149¼	132	135	6
Inter. Cement	18¾	3⅝	40	6⅛	37¾	22⅛	24	..
Inter. Harvester	34⅛	10⅜	46	13⅝	46⅞	30	33	.60
Inter. Nickel	12½	3½	23¼	6¾	29¼	21	26½	.20
International Shoe	44⅜	20¼	56⅜	24⅜	50⅜	40	42	2
Inter. Tel. & Tel.	15¾	2⅝	21¾	5⅛	17¾	11⅜	12⅜	..
J								
Johns-Manville	33⅜	10	63½	12¼	66⅜	44	48¾	..
K								
Kelvinator	10⅜	2¾	15⅝	3⅛	21¼	11⅞	18½	.50
Kennecott Copper	19¼	4⅞	26	7⅜	23	17¾	19⅝	..
Kresge (S. S.)	19	6⅝	16⅞	5½	22⅜	13⅜	17⅞	.80
Kroger Grocery & Baking	18⅞	10	35⅝	14½	33⅝	23¼	30	*1½
L								
Lambert Co	56¾	25	41⅛	19⅜	31⅜	22¼	26¼	3
Libbey-Owens-Ford	9⅜	3¾	37⅜	4¾	43⅞	27⅜	31	1.20
Liggett & Myers Tob. B	67¼	34⅛	99⅜	49¼	97	74½	95	*5
Liquid Carbonic	22	9	50	10¼	35⅜	25¾	29	*1¼
Loew's, Inc.	37¾	13¼	36½	8½	35⅛	25¾	31⅞	1
Loose Wiles Biscuit	36⅜	16½	44¾	19¼	44¾	38½	40⅛	2
Lorillard	18⅜	9	25¼	10⅜	19½	15¾	17½	1.20

Dividend Insurance

You are a partner in the companies whose stock you own. Keep them busier. Buy their products. Many of them advertise in The Magazine of Wall Street.

Dividends and Interest

GENERAL MILLS, INC.

Preferred Stock Dividend

May 31, 1934.

Directors of General Mills, Inc., announced today declaration of the regular quarterly dividend of $1.50 per share upon preferred stock of the company, payable July 2, 1934, to all preferred stockholders of record at the close of business June 14th, 1934. Checks will be mailed. Transfer books will not be closed.

(Signed) KARL E. HUMPHREY, Treasurer.

COLUMBIA PICTURES

The Board of Directors have declared a quarterly dividend of 25c per share on the Common Stock of this Company payable July 2nd, 1934, to stockholders of record June 15th, 1934. Checks will be mailed to Common Stockholders and holders of Voting Trust Certificates.

The Board of Directors have declared a semi-annual stock dividend of 2½% on the Common Stock payable in Common Stock August 2nd, 1934, to stockholders of record June 15th, 1934. Holders of Voting Trust Certificates will receive this dividend in Voting Trust Certificates. Cash will be paid where fractional shares of Common Stock or Voting Trust Certificates are due. Transfer books will not be closed.

A. SCHNEIDER, Treasurer.

New York, May 24th, 1934.

BAYUK CIGARS INC.

PHILADELPHIA

A quarterly dividend of 1¾% ($1.75 per share) on the First Preferred stock of this corporation was declared payable July 15, 1934, to stockholders of record June 30, 1934. Checks will be mailed.

A dividend of four one-hundredths (4/100) of a share of the Common stock held in the treasury of the corporation was declared payable in scrip June 15, 1934, to holders of the Common stock of record May 31, 1934.

May 18, 1934. **John O. Davis,** *Secretary*

WILSON & CO., INC.
PREFERRED STOCK DIVIDEND

The Board of Directors of Wilson & Co., Inc., a Delaware Corporation, has declared a dividend of one and three-quarters per cent (1¾%), per share on its Preferred Stock, payable July 2, 1934, to holders of record at the close of business June 16, 1934, to apply against accumulated dividends.

Checks will be mailed.

Dated, Chicago, May 29, 1934.

GEO. D. HOPKINS, Secretary.

New York Stock Exchange Price Range of Active Stocks

Industrials and Miscellaneous *(Continued)*

	1932		1933		1934		Last Sale	Div'd $ Per
	High	Low	High	Low	High	Low	5/29/34	Share
M								
Mack Truck, Inc.	28¾	10	46⅜	13½	41¾	23⅝	26½	1
Macy (R. H.)	60½	17	65¾	24¼	62⅛	38½	40¼	2
Marine Midland	14⅜	6½	11½	5	9	5¾	7½	.40
Mathieson Alkali	20⅞	9	46⅝	14	40¾	28	30¾	1½
McIntyre, Porc M	21⅝	13	48⅜	18	50¼	38½	44¾	*1½
Mont. Ward & Co.	16½	3½	28⅞	8⅝	35⅝	21¼	26	..
N								
Nash Motor Co	19¾	8	27	11⅛	32¼	15⅞	17⅛	..
National Biscuit	46⅞	20¼	60⅝	31½	49½	33⅝	34⅜	2
National Cash Register A	18¾	6¼	23⅝	5⅛	23⅝	14½	15⅞	..
National Dairy Prod	31⅜	14⅜	25¾	10½	18	13	17¼	1.20
National Distillers	27¼	13	35¼	20⅞	31⅝	23¼	25⅝	..
National Power & Light	20⅜	6⅝	20½	6⅞	15½	8½	10	.80
National Steel	33⅞	13½	55⅛	15	58¼	40¾	41⅞	1
North Amer. Aviation	6⅝	1¼	9	4	8¾	4⅛	4⅞	..
North American Co	43¼	13¾	36½	12½	25¼	13⅜	17¼	.50
O								
Ohio Oil	11	5	17⅝	4¾	15⅞	10½	12¼	.15
Otis Elevator	22½	9	25¼	10⅛	19⅜	14	16¼	.60
Otis Steel	9¼	1¼	9¼	½	8	4⅛	4¾	..
Owens Ill. Glass	42¼	12	96¾	31½	94	73½	74	3
P								
Pacific Gas & Electric	37	16⅞	31⅞	15	23½	15½	17	1½
Pacific Lighting	47½	20¾	43⅜	22	37	23½	31¼	3
Packard Motor Car	5¼	1½	6⅞	1¾	6⅝	3¾	4	..
Paramount Publix	11½	1½	2½	⅛	5⅞	1¾	4¾	..
Penney (J. C.)	34½	13	56	19¼	67⅞	51½	56	*2.20
Peoples Gas—Chicago	121	39	78	25	43⅞	27	30½	..
Phelps Dodge Corp	11⅝	3⅞	18⅞	4½	18⅞	14⅝	16⅜	.50
Phillips Petroleum	8⅛	2	18¾	4¾	20¾	15⅛	19⅛	.50
Procter & Gamble	42¾	19⅞	47½	19⅝	41¼	33⅝	33⅞	1½
Public Service of N. J.	60	28	57⅛	32⅝	45	33	36½	2.80
Pullman, Inc.	28	10½	58⅛	18	59⅜	47¼	49	3
Pure Oil	6½	2⅞	15⅜	2½	14⅞	9⅜	10½	..
Purity Bakeries	15⅞	4⅜	25⅜	5⅞	19¾	12¼	13⅝	1
R								
Radio Corp. of America	13½	2½	12¼	3	9⅛	6½	7½	..
Radio-Keith-Orpheum	7¾	1½	5¾	1	4¼	2¼	2⅞	..
Remington-Rand	7½	1	11¼	2½	13⅜	6⅜	9⅝	..
Republic Steel	13⅞	1⅞	23	4	25¾	15	16⅞	..
Reynolds (R. J.) Tob. Cl. B	40¼	26½	54¼	26½	45½	39¾	43⅞	3
S								
Safeway Stores	59¼	30⅛	62⅜	28	57	44	48½	3
Sears, Roebuck & Co	37¾	9⅞	47	12½	51¼	40½	42⅜	..
Seaboard Oil—Del	20⅜	6⅝	43⅜	15	38⅜	25⅜	32¼	*.80
Servel, Inc.	5⅜	1½	7½	1½	9	4¾	7⅝	..
Shattuck (F. G.)	12¾	5	13¼	5¾	13⅞	6¾	10⅛	.24
Shell Union Oil	8¾	2½	11⅝	4	11½	7⅞	8⅜	..
Simmons Co	13⅜	2¾	31	4⅜	24⅛	14½	16⅞	..
Socony-Vacuum Corp	12¼	5¼	17	6	19⅞	14	15¾	.30
So. Cal. Edison	32¾	15¾	28	14⅛	22⅛	15¼	16¾	2
Standard Brands	17⅞	8⅜	37⅝	13¾	25¼	18¾	20	1
Standard Gas & Elec. Co	34¼	7⅝	22½	5⅛	17	6⅝	10⅛	..
Standard Oil of Calif	31⅞	15⅛	45	19½	42⅞	30⅝	33⅜	..
Standard Oil of N. J.	37⅜	19⅞	47½	22¾	50⅛	41⅛	43	1
Sterling Products	....	....	63	45¾	61¾	47¼	58¾	3.80
Stewart-Warner	8½	1⅞	11½	2½	10⅝	6¼	7⅛	..
Stone & Webster	17⅜	4⅝	19¼	5½	13¼	6	7⅝	..
Studebaker Corp.	13¾	2½	8⅜	1½	9¼	4⅜	5	..
T								
Texas Corp	18¼	9¼	30⅛	10¾	29⅜	21½	24½	1
Texas Gulf Sulphur	26¾	12	45¼	15¼	43¼	30½	35¼	2
Tide Water Assoc. Oil	5⅝	2	11¾	3⅛	14⅜	8½	12⅛	..
Timken Roller Bearing	23	7¾	35½	13¾	41	26¾	29¼	1
Transamerica Corp	7⅛	2⅛	9⅜	2⅝	8½	5⅞	6⅛	.12½
Tri-Continental Corp	5½	1½	8¾	2¾	6¾	4	4½	..
U								
Underwood-Elliott-Fisher	24⅜	7⅛	39½	9¼	51½	36	41	1½
Union Carbide & Carbon	36⅜	15½	51⅞	19¾	50⅞	35⅞	40½	1.40
Union Oil of Cal	15⅜	8	23⅜	8½	20½	15	16¼	1
United Aircraft & Trans	34⅜	6½	46⅞	16½	37⅜	17⅝	21⅞	..
United Carbon	18	6⅝	38	10¼	45¾	35	45½	1.72
United Corp	14	3½	14½	4	8⅞	4½	5⅛	..
United Corp. Pfd.	39⅜	20	40⅞	22⅛	37⅞	24¾	33¾	3
United Fruit	32⅜	10¼	68	23¼	77	59	71	*2½
United Gas Imp	22	9¼	25	13⅞	20⅛	14¼	15¾	1.20
U. S. Industrial Alcohol	36¼	13¼	94	13½	64¾	37	40¼	..
U. S. Pipe & Fdy	18⅛	7¼	22⅛	6⅛	33	18	23	.50
U. S. Realty	11¾	2	14½	2½	12¾	5¾	7¼	..
U. S. Rubber	10¼	1¼	25	2⅞	24	14¾	18⅝	..
U. S. Smelting, Ref. & Mining	22¾	10	105⅝	13½	135½	96⅝	116	* 5½
U. S. Steel Corp	52⅝	21¼	67½	23⅜	59⅞	39¼	41¼	..
U. S. Steel Pfd	113	51½	105½	53	99½	85	85⅛	2
Util. Power & Lt. A	10⅜	1½	8⅞	1⅞	5⅜	2⅝	3	..
V								
Vanadium Corp	23¾	5¼	36¼	7⅝	31¾	18	20¼	..
W								
Warner Brothers Pictures	4½	½	9⅛	1	8¼	4⅞	5⅞	..
Western Union Tel	50	12⅜	77¼	17¼	66⅞	40¾	44½	..
Westinghouse Air Brake	18⅛	9¼	35⅝	11¾	36	25⅞	28¼	1
Westinghouse Elec. & Mfg	43½	15⅝	58¾	19⅜	47¼	30¼	34½	..
White Motor	27¼	6⅞	26½	15⅛	28½	16½	18	..
Woolworth Co. (F. W.)	45⅝	22	50⅞	25⅛	54⅞	41¼	50¼	2.40
Worthington Pump & Mach	24	5	39⅞	8	31⅞	17	22	..
Wrigley (W. Jr.)	57	25¼	57¼	34½	65	54½	63	*3½

§Payable in stock. * Including extra.

Answers to Inquiries

(Continued from page 204)

which involve no cash outlay, and this has enabled the company to maintain a large cash balance even while reporting operating losses. At this writing, it looks as though something might be earned on the common in the near future and, accordingly, the shares appear to have considerable speculative appeal at current levels.

REPUBLIC STEEL CORP.

Would you continue to hold Republic Steel in face of strike threats and indicated seasonal slackening of the automobile and steel industries. I have 100 shares bought at 22½, and I am undecided what to do.—B. M. V., Yonkers, N. Y.

Organized in 1929, Republic Steel Corp. is now beginning to operate at a profit following several years of declining prices and slackened demand. Moreover, there were many problems resulting from the merger which made it most difficult to operate economically in the face of shrinking business. At the present time, however, the company's activities are well co-ordinated and substantial earnings can rapidly be built up on any moderate volume of orders. Republic is the third largest steel unit in the country and manufactures principally special light steels and alloys. It also is an important producer of pipes. The automobile industry will undoubtedly continue to be the largest user of the company's products and while the strike threats are disturbing, their effect should be only of passing significance as production of motors must eventually satisfy the public demand. For the quarter ended March 31, 1934, Republic Steel reported a net loss of $58,682, after all charges, which compares with deficit of $1,268,472 in the preceding quarter and loss of $2,521,568 in the first quarter of last year. The full year 1933 deficit was $4,049,253 against $11,261,194 loss in 1932. The company recently stated that new orders received were in greater volume than in the previous period which gives basis for the expectation that a good profit will be shown for the current quarter. With current assets at the year-end of $41,437,340 against current liabilities of $12,371,958, Republic should have no difficulty in financing an expanding business. Due to the unpaid preferred dividends accumulated since 1930, it is obvious that dividends on the common stock are not in early prospect. Nevertheless, the shares have consider-

MARKET STATISTICS

	N. Y. Times 40 Bonds	Dow, Jones Avgs. 30 Indus.	Dow, Jones Avgs. 20 Rails	N. Y. Times 50 Stocks High	N. Y. Times 50 Stocks Low	Sales
Monday, May 21	82.32	95.76	43.77	83.34	82.69	382,670
Tuesday, May 22	82.21	93.61	42.84	83.76	81.59	834,580
Wednesday, May 23	81.96	92.86	42.37	81.76	80.54	656,690
Thursday, May 24	81.89	93.37	42.75	81.99	81.02	495,710
Friday, May 25	81.97	94.50	43.01	82.87	81.36	535,370
Saturday, May 26	82.06	95.05	43.44	83.34	82.76	279,300
Monday, May 28	82.19	95.56	43.96	84.17	83.25	614,670
Tuesday, May 29	82.24	95.32	43.51	83.70	82.87	379,252
Wednesday, May 30	HOLIDAY—EXCHANGE CLOSED					
Thursday, May 31	82.16	94.00	42.70	82.87	82.01	438,420
Friday, June 1	81.84	91.79	41.77	82.02	80.38	626,989
Saturday, June 2	81.81	91.41	41.68	80.40	79.59	410,110

able long pull attraction for one wishing representation in the steel industry and we would counsel retention of your holdings.

TEXAS GULF SULPHUR CO.

With Texas Gulf Sulphur selling back near where I bought it in 1933, I missed the opportunity to take as much as 12 points profit. I will, therefore, appreciate your views on this company's outlook for the balance of this year, and if you counsel retention.—E. E. H., Gary, Ind.

Since sulphur and sulphuric acid are prime essentials of present day industry, Texas Gulf Sulphur Co., the larger of the two prominent producers, will immediately benefit from expanding industrial activity. Already earnings have increased and the annual dividend rate raised from $1 to $2 a share. For the three months ended March 31, last, net income was reported as $1,427,778, equivalent to 56 cents a share on the capital stock, which compares with $976,704, or 38 cents a share in the first quarter of last year. Net profits for the full year 1933 were $7,443,613, or $2.93 a share, as against $5,910,492, or $2.32 a share in 1932. As at the year-end current assets totalled $22,669,322 and current liabilities, excluding Federal tax reserve, were $973,216. By virtue of the near monopolistic character of the industry, the price of sulphur has been stabilized for many years and no inventory adjustments have been necessary during the depression period nor will any write-ups be required as a result of higher commodity prices generally. Earnings, accordingly, will follow closely the trend of business activity. The fertilizer industry for many months has required a large tonnage of sulphur for its purposes and demand from this source should continue in view of the known agricultural needs for fertilizer and the improved purchasing power in the farming sections. Likewise, the requirements of chemical manufacturers ought to steadily increase. At present prices, the shares of Texas Gulf Sulphur do not fully reflect recently improved earnings nor is any consideration given to the current year outlook. Thus, we think that with a little more patience you should again have an opportunity to realize a sizable profit on your stock.

SHARP & DOHME, INC.

Please give me your opinion of Sharp & Dohme common. What do you think of its near and long-term prospects? Would you advise me to hold 200 shares bought last year at 7¾?—W. C., Cleveland, Ohio.

Sharp & Dohme, Inc., is a leading manufacturer of drugs and allied products and its recent earnings statements clearly reflect the expanding public purchasing power. Throughout the depression, households have been inclined to economize on medicines and on preparations such as antiseptics, toothpastes, etc., with the result that drug concerns have been quite hard hit. With increased employment and the resultant less need to economize, families again are giving more normal attention to health requirements. The name "Sharp & Dohme" has long signified high quality merchandise and its products have been extensively used by physicians and hospitals. In recent years, the company has advertised widely some of its specialties such as the "S T 37" antiseptic and toothpaste. Eventually this advertising should have an important bearing on earnings. The report for the three months ending March 31, 1934, showed a net profit of $320,664, equivalent, after dividend requirements on the $3.50 preference stock, to 15 cents a common share. In the first quarter of last year, the net profit was but $122,403, equal to 53 cents a share of preference stock. Only 22 cents a share was earned on the common for the whole of 1933, but on the basis of present indicated earnings, as much as 75 cents a common share might now be estimated for 1934. All dividend accumulations on the $3.50 preference stock have been paid off, which places the common in line for distributions should earnings permit. Financial position as shown by the latest balance sheet, dated December 31, 1933, was strong, current assets amounting to $7,186,629, including $1,709,305 cash and U. S. Treasury certificates, while current liabilities were only $437,327. Considering the improved earnings outlook, we feel that you are entirely justified in holding your shares for their speculative possibilities.

INTERNATIONAL TELEPHONE & TELEGRAPH CORP.

I have been holding International Telephone & Telegraph for over two years, having purchased this stock at 34½. Do you think the outlook for this company is such as to warrant my continuing to hold for the pull?—C. G. G., Boston, Mass.

As the leading communications system outside of the United States, International Telephone & Telegraph Corp. has been adversely affected by the inactivity in world commerce during the past several years. Until recently, this situation was further aggravated by the decline in the value of foreign currencies in relation to the American dollar, together with restrictions on transfer of funds from certain of the countries in which its subsidiaries operate. With the devaluation of the American dollar in terms of gold, however, and the consequent increase in the value of foreign currencies, transfer difficulties became less severe, while the general improvement in world trade which began last year further aided the company. This is clearly revealed in the earnings report for the year ended December 31, 1933, when net income of $694,125, equivalent to 11 cents a share on the capital stock compared with the net loss of $3,934,960 for 1932. Beginning with the June quarter of 1933, the earnings trend was upward and reached its maximum for the year in the December quarter, when net income was equivalent to $933,348. Although notes and loans payable to banks amounted to $34,722,238 at the last year-end, this was a reduction of $5,727,033 from the previous year. In view of the indicated ability of the company to completely cover its fixed charges with but a slight improvement in world economic conditions, there is little question but that its sizable bank loans will be extended until such time as bond market conditions permit a funding operation. Moreover, the possibility of a communications merger between Postal Telegraph & Cable, International Tel. & Tel.'s domestic subsidiary, and Western Union, holds favorable implications, since this would eliminate a decidedly unprofitable unit of the system. Should this take place, International would then be in a position to devote its entire resources to the development of its potentially profitable foreign subsidiaries. While the common stock of this holding company must be regarded as speculative in character, we feel that the earnings recovery already registered and the more promising longer term outlook fully justifies continued representation therein.

U. S. PIPE & FOUNDRY CO.

I bought U. S. Pipe & Foundry common near the high for this year. I thought it would do better with the government's plans for stimulating construction—but now I am undetermined whether to hold, or take my loss. Please advise me.—J. M. G., San Francisco, Calif.

The United States Pipe & Foundry Co. is the leading producer of cast iron pipe in the United States, supplying approximately 50% of domestic requirements. Since pipe of this type is of relatively high carbon content and therefore, rust-resisting, it is particularly adapted to the transportation of water and illuminating gas. Water companies, however, constitute by far the company's largest single outlet, and since these are for the most part owned by municipalities, the credit and growth of the latter has a direct bearing on sales.

Immediately following the war, there was a distinct trend from the larger centers of population to the suburbs which necessitated expansion of water facilities to meet demand. Sales of U. S. Pipe & Foundry were greatly stimulated, thereby, for three or four years, but beginning with 1927 and through the ensuing two years of industrial prosperity, price cuts and falling demand were reflected in lower earnings. Moreover, as a result of the depression, municipalities were no longer able to borrow at favorable rates of interest, thus necessitating strict economy. Largely because of this, U. S. Pipe & Foundry reported a deficit of $1,273,054 in 1932. Last year, however, many operating economies were effected which enabled the company to reduce its loss to only $71,453. Despite unsatisfactory operations for the past two years, the concern has maintained a sound financial status. Total current assets, as of the year-end, amounted to $13,505,444, including cash and U. S. Treasury certificates alone of $5,400,450, while total current liabilities were only $855,542. The organization has been active in the improvement of its products and the development of new markets, while the Federal Government's public works program is now beginning to be felt. With returning prosperity, Federal expenditures should be supplemented by increased demand from municipalities, the poor credit of which rendered impossible needed expansion of facilities during the depression. In view of the company's leading position in its field, conservative capitalization and more promising earnings outlook, we suggest that you retain your holdings of the common stock with a view to its longer term potentialities.

AUBURN AUTOMOBILE CO.

In view of the improvement which has occurred in the automotive industry, how do you account for the fact that Auburn is selling at close to its depression low? Would not this stock be a good speculation around present prices?—P. L. I., Syracuse, N. Y.

As was the experience of most automobile manufacturers, sales and earnings of Auburn Automobile Co. during recent years declined precipitously. Last year, those manufacturers producing low priced cars experienced a decided improvement in their business as a result of wider employment and increased purchasing power of the public generally. Unit sales of Auburn, however, declined during the past fiscal year to 4,633 against 11,332 in the previous year and 34,045 in 1931. For the fiscal year ended November 30, 1933, the company reported a net loss of $2,307,973 against a deficit of $974,751 in the preceding fiscal year. Unsatisfactory operations were continued during the initial quarter of the current fiscal year with the result that a net loss of $857,395 was shown or somewhat greater than that of $577,466 in the corresponding period of the previous year. Although this unfavorable showing may be attributable to unavoidable delays in getting into production on new models and some earnings improvement should be shown for more recent months, it is doubtful if this will be proportionately as great as was the case with other larger manufacturers.

While the balance sheet dated November 30, 1933, revealed a satisfactory financial status, with total current assets of $8,548,601 comparing with current liabilities of $618,444, net working capital declined during the year $2,637,810. Nevertheless, there appears to be little question as to the concern's ability to weather a further period of restricted earnings should this be necessary. Recent reports of the company would seem to indicate, however, that it has not held its ground from a competitive standpoint and we see little at this writing to indicate any change for the better along this line over the near term, at least. Thus, the present annual dividend of $2 a share on the common stock can by no means

be regarded as assured. In view of this uncertainty, and the highly volatile nature of the shares, marketwise, we suggest that you confine your purchases to other equities offering more clearly defined possibilities.

STANDARD OIL CO. (NEW JERSEY)

In the light of the Standard Oil Co. of New Jersey's improved earnings, and because its stock appears attractive to me at present prices, I would like to add to my 100 shares. Do you think this is a good time to buy? Do you think failure of the N R A codes would seriously affect this stock's outlook.—W. E. H., Minneapolis, Minn.

The report of Standard Oil Co. of New Jersey for the year ended December 31, 1933, revealed net income of $25,084,310 equivalent to 97 cents a share on the capital stock, in marked contrast with the $282,865 or 1 cent a share earned in the previous year. This earnings improvement reflects the substantially better conditions prevailing throughout the industry since the initial half of last year. As a result of depreciation of the American dollar, Jersey showed a book profit last year on working capital employed abroad of $24,972,491. Because this profit is subject to future foreign exchange fluctuations, however, directors decided to hold it in a reserve rather than include it in the income account. During 1933, funded debt and purchase money obligations were reduced by some $27,800,000. Despite this, the company entered the year with cash and marketable securities alone of $188,783,656 or more than total current indebtedness of $150,501,195. While gasoline sales provide by far the major portion of revenues, it is also a dominant factor in the natural gas industry. The latter may be expected to become increasingly important from an earnings standpoint as industrial activity attains more normal levels. Unquestionably, much of the improvement which has taken place in the petroleum industry, as a whole, is attributable to closer co-operation between leading producers and marketers under the N R A code. Obviously, a general break-down of the various restrictive measures now in force would do incalculable harm to the industry so that there is a little question but that every effort will be made to prevent such an occurrence. While we anticipate no such development, the subject company's exceptionally strong trade and financial condition would seem to assure it of holding its own under any conceivable adverse developments. Certainly, the earnings outlook, so far as we can see ahead, is better than has been the case for some years past, and, for this reason, we feel that you are fully warranted in acquiring additional shares of this leading petroleum unit around current levels.

NATIONAL DAIRY PRODUCTS CORP.

I notice that National Dairy Products stock has been doing somewhat better over the past several weeks. Do you think its earnings trend is definitely upward, or do you think I might best get out of my stock now with but a 1 to 2 points profit?—H. H., St. Louis, Mo.

As the largest unit in its field, earnings of National Dairy Products Corp. have been adversely affected during the past several years by declining consumer demand, extremely keen competitive conditions and resultant price reductions. These conditions are reflected in the company's report for 1933 when net income of $7,051,872, equivalent, after allowing for preferred dividends, to $1.01 a share on the common stock, compared with $12,537,380 or $1.88 a common share in the preceding year. Prior to the depression, the consumption of dairy products was steadily upward. To meet this demand, herds of cows were increased correspondingly, but the very nature of the industry prevented a check on output as depression influences curtailed demand. As a resulut of this, sharp price reductions were necessary, while large quantities of low-priced milk became available to independent marketers whose chief appeal was "price." While, the greater part of the price cuts was passed back to producers, profit margins of distributors such as the subject company were necessarily narrowed. With most farmers losing money on milk produced, however, there has been some contraction in herds of cows, while legislative action by several states as well as the A A A should prove of considerable benefit to the price structure. Reflecting improved conditions, tonnage as well as dollar sales of National Dairy are understood to have improved substantially during the first four months of the current year. Considering the company's strong financial condition and well balanced capitalization, together with the fact that gradual earnings expansion is indicated over early ensuing months, we feel that it would be unwise for you to liquidate your holdings at this time.

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Stepchild of Politics

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though they must always have military orders if they are to develop the right kind of military equipment.

Last year the industry produced only 466 Army and Navy aircraft as compared with 593 in 1932. This 22-per-cent numerical loss, however, was offset by the money value which represented a loss of only 6 per cent because more multi-engined planes were built last year. Aircraft engines for the defense forces dropped 21 per cent last year and 22 per cent in money value. Business in the commercial airplane field fell off 19 per cent numerically but jumped 122 per cent in money value because of the orders from the air transport companies for multi-engined equipment. This also caused total plane and engine production in the industry to show a gain of 17 per cent in money value in 1933.

With Army and Navy procurement, however, the plants can never count on orders sufficient to keep their machinery turning twelve months of the year, owing to a lack of definite plans in Washington. The adoption of an equipment program extending over several years, a continuing program calculated to provide reasonably steady orders for the companies, would be a most constructive step and one bound to have a stabilizing influence on the entire industry.

The recent ballyhoo in Washington, which set upon aviation because it usually offers greater publicity than other industries, finally seeped into the Army and Navy procurement divisions, with the result that the officials and Congress seem bent upon forcing all aircraft manufacturers to practise competitive bidding if they would receive Government business. That is what kept the industry in the doldrums for eight years after the war, and it will do it again if the announced intention of the Government is carried out. Cut-throat bidding cannot be beneficial in an industry where science is essence of a contract and technical development is continuous until the last unit of an order is delivered. In most instances the manufacturer loses money unless he can protect himself through the medium of negotiated contracts. That is something more for the investors to worry about.

Still another jarring note has been struck more recently. For years there has been creeping into this country a very definite, alien-inspired movement to have the American Government prevent the aircraft industry from selling its products abroad. Europeans competing in the markets of the world have not been able to match the American equipment, and they have resorted to propaganda to take the place of ordinary trade practices. Two years ago, a movement was launched to have the President declare an embargo. It failed. The campaign has been renewed within the past three months.

In 1933 about 32 per cent of all the planes, engines and spare parts produced in the United States were sold abroad. Obviously, any kind of airplane, commercial or otherwise, can be used for military purposes, if its owner wishes. If the foreigners succeed in having an embargo declared against exportation of American aircraft products, it will be just one more blow against the investments which people have made in aviation because they believed that they were doing something to assure them a fair return while at the same time helping to sustain a vitally important branch of the national defense establishment, which is what the aircraft industry really is, no matter how one looks at it.

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Dividends and Interest

Inflation By Way of Silver

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phases. Assuming that it is a fact that the world is trying to do business on too small a metallic money base, with a consequent downward pressure on prices, more or less effective at all times, general adoption of bimetallism would be distinctly helpful. And the pending silver legislation will undoubtedly strengthen the negotiations the President has already entered into looking to world-wide adoption of bimetallism or symetallism. By symetallism is meant a complete blending of silver and gold as basic money—even, if metallic money should be restored to circulation, to the extent of having gold coins replaced with an alloy of silver and gold.

It is commonly held that the immense increase in the annual production of gold following the opening up of the Rand mines in South Africa, in the latter nineties, resulted in rising prices and an era of prosperity—because basic money then became plentiful. It is argued that a similar event would issue if another Rand were to be discovered now, and that adding silver to gold as basic money would have like consequences. To some degree the power of gold over prices has been weakened by devaluation in the United States and some other countries and by the desertion of gold as direct standard money by most of the nations of the world. A notable rise, or at least a checking of falling currency prices has certainly followed. But gold prices have not markedly changed, which leads to the inference that when the world returns to a metallic standard it must have more standard money.

The other phase is in the belief that because of the wide use of silver as the money of the people in some parts of the world, especially in raw material exporting countries, there is a direct relation between the price of silver and that of commodities in general. Hence the conviction is widely entertained that raising the price of silver, even though it is not brought back as true basic money, will raise commodity prices. This is a variation of the Warren theory of raising the price of gold, which seems to have flopped on a go-it-alone endeavor by the United States; but the variation is important, for the reason that such countries as India, China, the Far East in general and South America, have an abundance of silver.

If this theory should be sustained by the experiment on which the United States is embarking, the venture would turn out to be a real contribution to world recovery, in which, of course, the United States would share. An incidental effect of the purchase of silver abroad will be a lowered demand for dollar exchange, which will help hold the dollar at present exchange levels, thus contributing to the policy of keeping the dollar cheap in terms of francs and pounds.

Our general conclusion is that the silver reserve bill will not be in itself inflationary to any noticeable extent. That its threat lies in the possibility that it may make further and fearful steps toward inflation easier and more likely; but that if these are avoided it may have widely beneficial business effects without adding to an expansion of governmental expenditures which would be reflected in increased taxation.

American Telephone and Telegraph

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uncertainties for its shareholders.

From the early beginnings of long distance telephony there has been an induced growth and a planned relationship between income and dividends of this enterprise was maintained. There is to be found a planned ratio between "Net Income" and "Dividends" paid since before the War. Net income tended to increase progressively, to compound, at the rate of over 10% annually and about three-fourths of net income has been paid out in the form of dividends on the common stock. This planned growth was seriously interrupted early in the depression and it will take some years of restored conditions before control could be regained.

As has already been shown, during the new era years there was an abnormal increase in telephone connections which forced A. T. & T. to hasten some capital expenditures, principally to supply new instruments. Rights to subscribe for additional stock in 1929, 1930 and 1931 resulted in increasing the outstanding shares from 13,233,398 shares at the end of 1929 to 18,640,704 shares two years later, an increase of 13.9%. By the end of 1933, total connected Bell telephones (13,163,000) had declined 16% from the peak of 1930 (15,682,000). Whereas there were 6/7 shares of "Telephone" stock to every Bell phone in the country at the beginning of the depression, there are now 10/7 shares per instrument in use, an increase of two-thirds. In 1931 the $9 dividend was barely earned

when there were 5/6 shares per Bell connected phone and the return on the telephone investment was just over 5%. Measured by this criterion, it will be some time before "Telephone" could earn $9 per share of common stock. In addition to the slow progress towards re-connecting the 2,500,000 instruments lost since 1930, the added costs of more governmental restrictions, higher taxes and probably rate reductions would lower the net income that might be earned on the larger number of connection.

The common stock of American Telephone & Telegraph Co. partakes of the nature of a security with fixed income. The premiums formerly paid for the stock were in part compensated for by valuable rights to subscribe for additional shares but this source of potential income has been effectively dried up by over-expansion. There remains only the dividend and investors may well question how much longer the current rate ($9) will continue to be paid. Recent statements as to the dividend policy of the company are to the effect that the present dividend will be paid to the limit of resources as long as business remains poor, but that as soon as conditions improve so that better times arrive for its nearly 700,000 stockholders, dividend payments will be lowered to give the company the opportunity to restore its surplus and improve the liquid position.

This is a new policy among large corporations, one of paying out large dividends when the stockholders need them and making smaller payments when other sources of income appear during good times. At the present time, the price of Telephone stock amply discounts everything that may happen for some years to come. It is selling at the average of $114 received by the company, so that the $9 dividend is at the rate of 7.9% on the price. Wall Street talks about a $6 dividend; and even this rate, which would return 5.26%, is more than many gilt-edged bonds and more than a great many highly regarded preferred stocks return. Last year, profits available for the common stock were at the rate of 5.56% on the book value and in 1932 were 5.83%. The present $9 dividend is at the rate of 6.8% on the book value of the common stock and a $6 dividend would be at the rate of 4.6%. In view of the circumstances, the present market price of "Telephone," around 114, preserves the investment worth of this stock because the return from a $6 dividend would be 5¼%, or better than the return on many good bonds. There would, of course, be a much larger return as long as the present $9 dividend is paid; after that the holder of this common stock could probably look forward to its ultimate restoration.

America's Foreign Investment Goes Through the Wringer

(*Continued from page* 188)

purchases. The odds in a struggle of this kind can only be with the Government.

As for the lightened burden of interest charges, now that the dollar has been devalued, there is a tendency to exaggerate the extent of the gain to debtor nations. Only the currencies of Great Britain, Germany and the nations of the so-called European Gold Bloc are now worth more against the dollar than when the debts were contracted. A comparison of present exchange rates with those of 1928 and 1929 reveals that such important debtor nations as Japan, China, Argentina, Brazil, Chile, Colombia, Uruguay and the Scandinavian states have depreciated their currencies to a greater degree than the dollar.

Furthermore, the gain to the Gold Bloc nations is at least partially offset by the fact that dollar exchange is more difficult to acquire than ever by reason of the increased pressure of devalued American exports and the greater difficulty of selling in the American market. There is also the possibility that the somewhat illusory gain will be soon lost by a general abandonment of the gold standard occasioned by the drain on currency reserves of the bullion shipments to the United States.

The sum total of the factors involved makes it difficult to believe that the "through the wringer" process has yet been completed. Further adjustments of the type arranged at Rio de Janeiro by the Foreign Bondholders Protective Council may be forthcoming, it is true. In some cases, they may be of permanent benefit to the bondholder. In others, their effect may be only a temporary postponement of complete and definite default.

Meanwhile, new defaults are threatening. The transfer difficulties of Germany and the precarious financial condition of Cuba point to trouble in two directions, at least. The investor with a scattering of foreign bonds in his portfolio will do well to keep a weather eye on the merchandise trade figures of nations represented by his bonds. Transfer difficulties are just as important as internal insolvency insofar as the effect on interest payments is concerned.

It is perhaps too much to expect that holders of foreign bonds should feel anything but chagrin at having to write down their investment. If informed economists are correct in their analysis, however, there will be some consolation for the loss. Each final default or debt adjustment, according to their views, should bring a little nearer the revival of America's export trade. And each reduction of the debts owed to America should be a step towards real and lasting world economic prosperity.

N R A On the Spot

(*Continued from page* 175)

Johnson is a masterful and incorruptible executive, but refuses to delegate decision. The result is that he has been worked to death, is rash and explosive—and cluttered up delay has become an N R A scandal. Final conclusions regarding N R A must be reserved for its second year. Out of 362 code authorities only twelve, at a recent date, had been fully authorized to administer their own codes and 122 had been reported as incompetent to do so. The retreat from compulsion is evidenced by the failure of the President to ask Congress for an extension of the licensing provision of the Industrial Recovery Act, which gives the President the direct power of life and death over any company.

Wilson Compton, economist and Lumber Code Authority member, who has recently resigned from N R A, after four months at the head of its Association division and code organization, while insisting that N R A must not be allowed to pass, believes that the codes should be reduced to about forty nuclear groups representing as many basic industries. He considers that production regulation is more important than price fixing, and that prices will normally take care of themselves if production is properly managed, provided that safeguards against extortionate prices are maintained. Like most other members of code authorities he also believes that the regulation of wages, hours, child labor, must be continued, not only in justice to employees but as a check on "wolfish competition" in its worst manifestation. Minimum wages and maximum hours, he finds, constitute an essential factor in the establishment of fair prices. Some simple rules of fair and decent trade practice need to be maintained, rules that reflect public and trade opinion and that can, therefore, be easily enforced.

With all its troubles N R A has recently had a break from a source which at first seemed a calamity. The Darrow report which came out flat-footed for the socialization of industry has reminded the coded industries that something like N R A and its conception, self-government under a broad charter of governmental authority and supervision, is the surest barrier against the rising tide of socialism and its threat to business individualism. The rugged individualist has been reminded by the Darrow fulmination that something like N R A is the best approach to saving the essentials of the old business order in these times of readjustment and reckless enthusiasm for not only a new deal but a radical deal. As Mr. Compton hints, private administration of business can, perhaps, only be saved in the long run by autonomous industrial self-regulation in the public interest, under the sanction of public authority; but that is impossible, unless business is ready to accept public supervision in the administration of the authority conferred upon it. As he sees it, business, especially big business, must call upon public help to clean its house and keep it clean, and in return for that help must be willing to give up some of its cherished executive authority to government.

Whatever may come after the second and last year of N R A's present statutory existence—and most big executives are far more interested in the future than in the present—the outlook is that N R A will be less and less obtrusive, more and more general in its requirements and supervision, less given to details and much smaller in personnel than it has been of late. But there should be no mistake about the attitude of most of the public-minded leaders of business. They are for the principle of the relation of government and business embodied in N R A and will insist on its active continuation.

Clarifying Important Issues

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way this New Deal "remedy" will work is simple. Let us say a corporation has two incorporated subsidiaries. One makes a profit of $1,000,000 a year, the other loses $1,000,000. Under the consolidated return, no Federal tax would be paid, but under the present law the profitable subsidiary would pay the tax on $1,000,000. Obviously, the tendency will be for large corporations to merge their subsidiaries as far as is found practically possible, in order to avoid onerous and essentially unjust taxation.

Loose reasoning, of course, is not new in politics. Blanket condemnation of holding companies is a generalization as fatuous as blanket condemnation of Republicans or Democrats, of French-

man or Englishmen. There are all sorts of holding companies. For large enterprises, notably in the case of utilities serving more than one locality or providing more than one type of service, holding company organization represents the most practical, efficient and economical device both as to physical and financial administration. In the vast majority of instances, such organization is not only not inherently abusive, but is essentially in the public interest.

Government Sponsors Mortgage Insurance to Break the Building Jam

(*Continued from page* 182)

in mortgages regularly are no longer in a position to do so. In the second place the very word "mortgage" is now anathema to many people who have lost money in what was thought to be a conservative investment. Thirdly, the moratorium laws passed by so many states unquestionally deprive mortgagees of the rights that they thought they possessed. It will be remembered that the United States Supreme Court in the Minnesota mortgage case upheld the constitutionality of a moratorium on foreclosures in the event of an "emergency." Finally, the Government's tinkering with the currency has had the effect of driving money from fixed-income investments of a non-liquid character. (Easily marketable bonds are currently bought more because they *are* liquid than because the purchaser considers them a satisfactory *type* of medium for his money.)

This is the unfavorable side. On the other, there is the possibility that Government-insured mortgages might be considerably more liquid than the ordinary mortgage today. If so, this undoubtedly would be an inducement to those looking for an investment yielding a higher rate of return than can be obtained from marketable securities of similar merit. It is to be doubted, however, if such an inducement can offset in any material manner the potent factors stacked against it.

It is a sad commentary on the times that the Government in its efforts to revive business should choose for one of its most important onslaughts a section that would cure itself if left alone, while at the same time there is little haste to modify the Securities Act that has paralyzed both new enterprise generally and new construction of a commercial and industrial character. Incidentally, it is to be noted that all the Government's real estate plans, includ-

New York Curb Exchange

ACTIVE ISSUES

Quotations as of Recent Date

Name and Dividend	1934 Price Range High	1934 Price Range Low	Recent Price
Alum. Co. of Amer	85¾	62¾	63
Amer. Cyanamid B (.25)	22½	15⅛	17¾
Amer. Gas & Elec. (1)	33⅜	18⅝	23⅞
Amer. Lt. & Tr. (1.60)	19⅜	10¾	14
Amer. Superpower	4⅞	2¼	2½
Assoc. Gas Elec. "A"	2⅜	7/16	¾
Atlas Corp	15½	10¼	10¾
Canadian Indus. Alco. "A"	20⅜	10¼	11¼
Cities Service	4¼	1¾	2⅝
Cities Service Pfd	26⅞	11¼	24¼
Colum. G. & E. cv. Pfd. (5)	103	68	84
Consol. Gas Balt. (3.60)	65	53	63
Creole Petroleum	13⅜	9⅝	12¼
Distillers Cp. Seag	26⅝	14⅞	15½
Elec. Bond & Share	23½	10⅞	14
Elec. Bond & Share Pfd. (6)	60	31	48
Elec. Pr. Assoc. (.40)	8¼	4	5¼
Ford Motor of Can "A" (.50)	24⅞	15	21¼
Ford Motor, Ltd	9⅝	5½	8⅝

Name and Dividend	1934 Price Range High	1934 Price Range Low	Recent Price
General Aviation	9½	4¼	4½
Glen Alden Coal	20¾	10¾	15¾
Great A. & P. Tea N.-V. (7)	130	121	128½
Gulf Oil of Pa	76¾	56½	58⅝
Hudson Bay M. & S	14¾	8¾	12½
Humble Oil	46⅜	33¼	43½
Imperial Oil (.65)	15¼	12⅝	14⅝
Inter. Petrol. (1.56)	28½	19⅜	27¼
Lake Shore Mines (2½)	54⅝	41½	50⅛
Mead-Johnson & Co. (3¼)	63½	45	54½
Niagara Hudson Pwr	9¾	4⅞	5¾
Novadel-Agene (7)	23¼	19⅜	20⅜
St. Regis Paper	5⅛	2⅛	3⅛
South Penn. Oil (1.20)	24⅜	17½	22½
Standard Oil of Ind. (1)	32¾	25	26⅜
Swift & Co. (.50)	19	13⅞	15
Swift Int'l (2)	32⅞	23¾	30⅝
United Founders	1½	11/16	13/16
United Gas Corp	3¾	1⅞	2½
United Lt. & Pwr. A	5⅜	2⅜	2¾
United Shoe Mach. (5)	68⅜	57¾	65
Walker Hiram H. W	57½	30¼	35

ing the Home Loan scheme and the various things that are being done for owner-operated farms, concentrate upon the residential section of the field. Owners of commercial and industrial property are left to fend for themselves, despite the fact that it is they who pay, in the ultimate analysis, *all* taxes, not even excepting those on residential property.

But this is to wander somewhat from the original question of whether the latest Government scheme, which happens to be for the purpose of stimulating residential construction and indirectly the languishing heavy industries, will work as planned or not. And the answer seems to be in the negative. Yet, this is not to say that the building industry cannot improve. It can, and probably will, but it will do so as the result of the gradual correction of an unsound situation than as a result of a hypodermic. Moreover, there can be some valid doubt as to whether or not we are "getting off on the right foot." It is said that a high rate of building activity is the cause of prosperity. Might it not equally well be the *effect* of prosperity and merely contribute its influence to an ascending business spiral. As has been said, the people would like to build; they would like more and better space; from a social standpoint they need it. But such a potential demand for housing can only be translated into an actual demand by giving them the wherewithal to buy, a quite different thing from the power to borrow, and giving it to them in real money—not silver-diluted paper dollars or poker chips. If the people were only receiving better incomes, coupled with a normal degree of assurance that they would continue to receive them, they would quickly enough repair their homes, buy up those that currently glut the market, and build new ones apace.

Where Are the Utilities Headed?

(*Continued from page* 191)

even though it be clothed with a public interest." One text on Economics says: "Rates must yield average returns on investment when management is reasonably efficient. Lower rates should not be made where and because management is exceptionally efficient nor should inefficiency be an excuse for higher rates." With these facts in mind 5 per cent will not attract the necessary capital—8 per cent may if there is any assurance that the integrity of the investment can be preserved under the "New Deal."

It is inconceivable that public utility rates will keep pace with the general price level for the very good reason that any possibility of an increase in rates is more than remote. The trend of rates is unquestionably downward. It has been for years. The widespread publicity which will be given the T V A "yardstick" rates, attacks of political demagogues, and the propaganda of the government-ownership and operation boys, will keep up the agitation for reduced rates. No matter what the justification it will be practically impossible for the utilities to increase rates and the best they can hope to do is to resist reduction of present rate levels.

In short, the public utilities must reconcile themselves to the continued use of their business as a political football as long as they remain as inarticulate as they have been during the past two or three years. In the so-called recovery program the Administration has tried to help every business except the utilities. Not only have the utility rates been excepted in attempts to restore 1926 price levels but by establishing T V A and other yardsticks the Government is trying to reduce electric rates.

The utilities were among the first to inaugurate shorter hours without reduction in rates of pay and to recall former employees to carry on the work thus made available. These increased expenses could not be passed on to the consumer in the former higher rates and at the present moment have been only partially offset by earnings from increased commercial and industrial consumption and the reconnection of former customers. Yet when the electric utilities submitted their Code it was vehemently disapproved and the industry bitterly assailed by N R A and other administration officials. It is a curious thing that while one of the primary objects of the N R A was to establish Codes of Fair Competition, officials refuse to permit the Electric Code to apply to Federal and municipal plants. This, coupled with the fact that P W A loans were made available to the municipalities for the construction of competing plants, and with the fact that the Secretary of the Interior announced that applications for such loans would be given preference has made the path of the privately-owned companies somewhat difficult to negotiate.

In spite of all of these depressing facts the operating companies, given half a chance by government and relieved of the menace of government competition, can manage to sail along on an even keel regardless of the downward trend of rates and the upward trend of taxes. The rapidly developing field of air conditioning offers a large market for energy, the field of electric cookery is almost untouched, domestic and commercial refrigeration is far from saturation and coming campaigns for better lighting provide considerable outlook for larger sales.

In spite of the uncertainties of the future for electric utilities—Federal and municipal competition, increased tax burdens, increased operating costs due to shorter hours and increases in the general price level, continued pressure for lower rates—securities of properly managed operating companies are safe investments at this moment. Current prices of the securities of

strong operating companies indicate very clearly general public confidence in spite of government-ownership and operation propaganda. The situation with regard to the holding companies is a different story. The widespread publicity given to the Foshay and Insull crashes, the disclosures of manipulations in various holding company stocks, demands for drastic regulation and the determination in Administration circles to smash the holding company, make their securities somewhat speculative to put it as mildly as possible. It is probable that ultimately holding companies will become, primarily, investment trusts, while engineering and management companies will be owned by the operating companies instead of holding companies.

To return to our original thesis and Lord Macauley's letter written three-quarters of a century ago this brighter side of the outlook for the utilities depends largely on the native common sense of the American people and the lengths to which they will permit this campaign of "spoliation creating distress, creating more spoliation, producing more distress" to go. If the public utility executives persist in remaining inarticulate the time has arrived when the investors, the real owners, came forward and put a stop "to robbing selected Peter to pay collective Paul."

Mathieson Alkali Works, Inc.

(Continued from page 200)

623,263 shares of common outstanding at the end of 1933, earnings were equivalent to $1.70 a share, against 86 cents in the preceding year. Moreover, these results are arrived after making very generous allowances for depreciation and depletion reserves. These latter items were equivalent to 38% of total property account in the 1933 balance sheet and deductions for that purpose were equal to $1.83 per share of common last year. In the first three months of the current year, the company reported profits of 38 cents a share on the common (exclusive of newly-issued shares) comparing with 21 cents a share earned in the same period of last year.

Financial position is satisfactory and there is no funded debt, the 23,827 shares of 7% preferred stock, $100 par, constituting the only capital obligation ahead of the common. The current market appraisal of the shares may appear rather high in relation to earnings and dividends but this is true of all the better chemical stocks, in recognition of the dynamic possibilities for future growth which lie ahead of the chemical industry. The choice of Mathieson Alkali shares for equity participation in the chemical industry is well founded in the company's background of established earnings and growth.

Market Outlook for Coming Months

(Continued from page 172)

leaders. The textile industry is suffering from over-production, probably to the extent of a full month's supply. Many mills no doubt would welcome a complete shut-down. Steel operations in recent weeks have been materially larger than the rate of actual consumption, reflecting stocking against both strike threats and the higher prices to take effect July 1. Mid-summer would unquestionably bring declining production in any event.

The actual records of industrial activity for the latest week make a surprisingly good showing. Curiously, there has thus far been a much worse slump in business sentiment than in business volume. Steel operations have advanced 1 point to 59 per cent of capacity and thus are holding stubbornly only a trifle below the highest point of the year. While demand from the automobile industry has receded, demand for railroad steel, for structural steel, tinplate, and miscellaneous demand, including that from mechanical refrigerator makers, have been well maintained.

After declining normally from its seasonal peak, motor production has apparently flattened out during the latest week. The cessation of decline is tentatively encouraging. Retail sales of motor cars remain spotty, with somewhat puzzling fluctuations from week to week. For the most recent period sales of several of the largest makers of low-price cars have turned upward.

Contrary to seasonal influences, the electric power index for the latest week has advanced and holds at a level less than 1 point under the highest mark of recovery. Car loadings likewise have advanced moderately in a week for which slight decline represents seasonal normality.

For Features to Appear in the Next Issue

See Page 167

Over-the-Counter

ACTIVE ISSUES

Quotations as of Recent Date

INDUSTRIAL

	Bid	Asked
American Book Co. (4)	50	56½
Amer. Manufacturing	11	14
Amer. Meter Co	8¼	10¼
Babcock & Wilcox (1)	34	37
Bon Ami, B (3)	35	40
Canadian Celanese	20¼	22½
Colt Fire Arms (1¼)	20⅞	21⅞
Crowell Publishing Co (1)	23	25½
Dixon (Jos.) Crucible	50	55½
Dictaphone Corp. (.75)	18½	21½
Fajardo Sugar	68½	77
National Casket (2)	37	40
Singer Mfg. Co. (7)	161½	164½
Wilcox & Gibbs	22	27

PUBLIC UTILITIES

	Bid	Asked
Alabama Power Pfd. (7)	51½	52½
Carolina Power & Light Pfd. (3.50)	40	42
Central Maine Power Pfd. (7)	71	73
Columbus Rwy. Pwr. & Lt. Pfd. (6)	80	83
Consumers Power Pfd. (6)	78¼	79¾
Dayton Power & Light Pfd. (6)	95½	98
Jersey Central Pwr. & Lt. Pfd. (7)	65¾	68
Kansas Gas & Electric Pfd. (7)	75	78
Metropolitan Edison Pfd. (6)	71½	73½
Nebraska Power Pfd. (7)	99	101
New Jersey Pwr. & Lt., Pfd. (6)	63½	66½
Northwestern Bell Pfd. (6½)	109	111
Ohio Public Service Pfd. (7)	70½	72½
Pacific Gas & Elec. Pfd. (1.50)	21	22
Pacific Power & Light Pfd.	14	16
Puget Sound Pwr. & Lt. Pfd	15	17
Tennessee Elec. Power Pfd. (6)	45	48
Texas Power & Light Pfd. (7)	78	80½
Utilities Pwr. & Lgt. Pfd. (7)	8¼	10

TELEPHONE & TELEGRAPH

	Bid	Asked
American Dist. Tel., N. J. (4)	73¾	....
Mountain States Tel. & Tel. (8)	106¾	109¼
Peninsular Telephone	5	7½
Southern New England Tel. (6)	75	....

Significant Foreign Events

(Continued from page 183)

Inflationary Tendencies in Russia

The volume of monetary circulation has augmented by considerable proportions during the past year. Total circulations has passed from 1,354 million rubles on January 1, 1927, to 6,458 million on July 1, 1933, representing an increase of 500 per cent in six years. The Soviet Government refuses to recognize the existence of actual inflation and attributes this expansion in fiduciary circulation to the necessities of industrial development.

It is certain that the higher price levels resulting, particularly the increase in the rate of the sales tax, have indirectly provoked monetary inflation. Deficits resulting from two rapid expansion enterprises exercised an adverse influence on budgetary equilibrium and it is not unlikely that the Treasury will be obliged to resort, purely and simply, to the printing press for adequate working capital. In fact, during the past 15 months, treasury notes have augmented from 2,425 to 3,102 millions, or an increase of 1,399 million rubles since September, 1932.

* * *

Czechoslovakian Trade

The devaluation of the Czechoslovakian crown to approximately its national level has facilitated the revival of trade. In fact, exports to customary foreign markets show a 10-per-cent increase for the first two months of 1934, as compared to the same period of the preceding year. In March, exports of manufactured goods revealed a striking gain of 37½ per cent or approximately 144 million crowns. This global figure, however, includes important deliveries of arms and ammunitions to Turkey (70,000 crowns) and China (10,000 crowns).

In view of the fact that these orders were placed prior to devaluation, the abnormal plus value of exports in March cannot be attributed to foreign exchange advantages but rather to the competitive strength of Czechoslovakian industry.

For example, Japanese shoes sold in Oriental markets for less than 35 cents a pair. This competition was successfully met by the installation of perfected equipment in the vast shoe factories of the Bata brothers, reducing mechanical production costs to the hand-full of rice labor costs of Japan. Today the Bata industry manufactures 160,000 pairs of shoes daily, employs 22,000 workers—its maxim: "artificial protection or control kills industrial enterprise."

In the Next Issue

Labor Poises the Monkey Wrench

Will It Throw It into the Economic Machine or Put It Away?

By P. T. Sheldrick

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